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FT No. 31,160 THE FINANCIAL TIMES LIMITED 1990

Wednesday May 30 1990

## World News **Bhutto holds**

### Sind after 170 killed

Pakistani Prime Minister Benazir Bhutto held crisis meetings in the Sind provincial capital Karachi as killings increased in the city and pressure grew for direct rule from

More than 170 people have died in Karachi and Hydera-bad, 90 miles away, in four days of violence. Page 6

**US visit postponed** South African President F.W. de Klerk, who was due to meet US President George Bush on June 18, announced he was postponing his visit to the US because of controversy about its timing. Page 6

### Arab discord

Sharp disagreement among Arab heads of state over the wording of a final communiqué marking the end of their sum-mit meeting in Baghdad, pushed the Arab League summit into a third day.

Mandela in hospital Nelson Mandela underwent minor surgery and will stay in hospital for a day or two, but his wife said his tour of European capitals, due to start next week, would not be affected.

### **Nuclear shutdown** A Firmish nuclear power plant shut down the second of its two Soviet-made reactors after erosion was discovered in a water pipe.

**New Taiwan premier** Taiwan's parliament approved the appointment of Defence Minister Hau Pei-tsun as the island's new premier after a day of violent protests inside and outside the chamber.

### EC racism measure The European Commission publicly distanced itself from

a Community measure against racism and xenophobia on the grounds that the text had been so watered down as to be almost meaningless, Page 3

The army and the police have been placed on alert in the Dominican Republic as the to determine the winner of dential elections hald a fortnight ago. Page 3

### Rebels cut power A faction of Suriname's antigovernment rebel group has

occupied a hydro-power station and has been cutting off power to Paramaribo, the capital.

Executions go ahead Malaysian courts rejected last-ditch attempts to delay the execution of eight Hong Kong people convicted of drug trafficking. The hangings will take place today.

Troops quell unrest Troops moved in force onto the streets of Gabon's oil capital Port Gentil to quell the worst civil unrest for 30 years and allow vital oil production

### Polish recognition

The parliaments of East and West Germany will bow to Polish demands and formally recognise Poland's existing estern border on June 21 Bonn's Chancellery Minister Rudolf Seiters said.

### South African trials A South African human rights organisation said 184 political trials were under way in South Africa, involving 1,400 defe

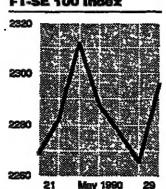
## dants, and that between 10 and 20 people were still being con-victed each month.

Zimbabwe killing Soldiers guarding Zimbabwe President Robert Mugabe's esidence shot dead an elderly white motorist on Sunday evening as he drove on a closed section of road outside Mugabe's residence.

### **Business Summary** Japan and crisis talks in EC to set up bilateral trade group

Japanese and European Community ministers agreed in Brussels to develop political relations and to set up a new working group on bilateral trade. The first ministerial level talks for 3½ years left both sides happy with the result, though controversial issues, such as access for Japa-nese cars in a single market, were not seriously discussed.

LONDON STOCKS did nothing to discourage the optimists after the UK Bank Holiday. when the final reading of the FT-SE 100 Index



May 1990 FT-SE Index at 2,295.6 showed a gain of 30 points. London Stock Exchange, Page 35

CORRECTION: Mexico Mexico has reduced the rate at which it devalues its currency against the US dollar. It has not announced a 20 per cent devaluation, as incor-rectly reported in yesterday's Financial Times. Page 9

ASEA BROWN Boveri, Europe's biggest electrical engineering group, posted first-quarter pre-tax earnings of \$215m, showing an advance of 25 per cent compared with the first three months of 1989. Page 22

### FRANCE agreed a new aid package for Poland, including a rescheduling of FF78.3bn (\$1.47bn) of bilateral Polish

HONG KONG is to allow com-15,000 skilled and semi-skilled employees to offset a serious hour shortage. Page 20 SAATCHI & SAATCHI, UK communications company, is expected not to pay a dividend to shareholders this year in a struggle to stabilise its finan-cial position. Page 21

THOMSON CSF, French elec-tronics group, and Ferranti International, British defence electronics group £32m (\$54m) merger of sonar activities was cleared by UK Government. Page 21

CO OP. German retailing group, supervisory board chair-man, Mr Hans Friderichs, resigned over strategy differ-ences with the principal share-holders. Page 21

SOVIET UNION is to broaden collaboration with Fiat by making a version of Fiat's Panda small car instead of its

own design. Page 20 SOURCE PERRIER, French mineral water and cheese group, sold most of its soft drinks division to Cadbury Schweppes, the UK confection-ery and drinks company, for £125m (\$211m). Page 21

UNITED BISCUITS, UK biscuit company, has increased its bid for Verkade, Dutch chocoa share. Page 10

dip in earnings for the second quarter and an 6 per cent decline for the first half ended April 30. Page 23 YEMENI states merger is being

watched by international banks and exporters to see if commercial payments arrears will be settled. Page 25 JAPAN'S leading construction

### Election of leading political rival set to haunt Gorbachev as summit talks begin

## Yeltsin seizes key position

By Quentin Peel in Moscow

MR BORIS YELTSIN, the most popular political rival of Presi-dent Mikhail Gorbachev in the Soviet Union, yesterday seized the key post of President of the Russian Federation to mass

Russian receration to mass acclaim.
His election spells an important defeat for the Soviet leader only days before his summit meeting with President George Bush in Washington, and provides a big boost for composters of more radical for supporters of more radical reforms in the Soviet Union. For Mr Gorbachev, it also means that his most formidable rival now has a real power base from which to challenge his authority.

Mr Yeltsin's victory was

greeted with cheers, stamping and a standing ovation in the Russian Congress of People's Deputies, the newly elected super-parliament of the largest republic in the USSR, when he finally won an absolute majority in the third round of voting, after five days of tense in-fight-ing with Communist Party

The election result came hours before the Soviet Government, headed by Mr Nikolai Ryzhkov, managed to avoid a vote of no confidence in the USSR Supreme Soviet over its plans for sweeping price increases, in return for an agreement to modify the pro-gramme over the coming week. Mr Yeltsin immediately

announced plans to put together a coalition govern-ment of both democratic and ment or noth democrant and traditional Communist Party deputies, but also insisted that he would press ahead with plans to seize more economic authority and sovereignty for the Russian federation. In the end he best off the challenges of both a leading conservative Communist Party

conservative Communist Party figure, Mr Ivan Polozkov, and of Mr Gorbachev's own nomi-

nee, Mr Alexander Vlasov, the current Prime Minister of the Russian federation. Mr Yelstin won just four votes more than

woil just four votes more than the 531 he needed for an absolute majority.

It is the first time that the Soviet President has falled to get his candidate elected to a major post in government, and presents Mr Gorbachev with the urgent need to seek an accommendation with the man accommodation with the man he sacked from the Communist Party leadership and has since

consistently denounced.

After his election, Mr Yeltsin strode through the Kremlin to greet hundreds of waiting supporters outside, who burst through the police cordons by St Basil's cathedral in Red Square to cheer him. Red Square itself had been cleared

ON OTHER PAGES: All chaos on the home front for President Gorbachev, Page 18; Yeltsin stokes nationalist fire in Soviet heartland, Mother Russia yearns for her identity, Muscovites look to Boris to fill the shelves, Page 2

of people for fear of a mass

"I am well aware of the responsibility that is on my shoulders," Mr Yeltsin declared to the waiting crowd, "to strengthen Russia's soverrio strengthen kussia's sovereignty, its further democratisation and independence."

In his first television interview, he called on the new
Russian parliament to approve
the "Decree on Power" proposed by Dr Andrei Sakharov,
the father figure of Soviet dissidents, before he died. The

sidents, before he died. The decree calls for an end to the privileged position and monopoly of the Communist Party, curbs on the power of the KGB, and democratic control on all

the top positions of govern-ment. It has become a charter for the radical reform move-

However, Mr Yeltsin also However, Mr Yeltsin also attempted to sound a note of concillation with the Communist Party leadership, proposing a "council of national reconcilistion," representing all 28 political groups and factions in the Russian parliament, to draw up an effective coalition government.

He is expected to nominate a leading Communist Party fig-ure - either Mr Vlasov, or Mr Lev Voronin, currently a

Soviet deputy premier – as his deputy president.
Nonetheless, his victory presents Mr Gorbachev with a serious dilemma. Up to the last minute, the Soviet leader campaigned for his defeat, summorning some 400 deputies to a meeting in the Rossiya Hotel, opposite the Kremlin, on Monday night, to urge them to vote for Mr Vlasov, pro-Yeltsin dep-uties said.

Mr Yeltsin is likely to back Mr Gorbachev on swifter eco-nomic reform, but not on his bardling may be a promised

hard-line refusal to negotiate with republics like Estonia, Latvia and Lithuania, bent on Latvia and Lithnania, bent on outright independence. He has proposed direct treaties between Russia and the other republics, bypassing the central government in Moscow.

In his speech to the Russian Federation's parliament last week, he produced a 13-point list of principles to underpin a Russian constitution. These, in essence, were a reproduction of essence, were a reproduction of the programmes adopted by the three Baltic States, shorn, of course, of references to pest independence, but including a separate currency, a separate citizenship and, as Mr Mikhail Gorbachev pointed out, no mention of the republic having



Boria Yelizin makes his first address as President of the Russian Federation Parliament beseath a statue of Lenin

## Baltic anger awaits Gorbachev in Canada

The action by Canadian Lithuanians, Latvians and Estonians is expected to inject a note of controversy into a visit seen by both sides as essentially a pleasant stopover for the Soviet leader on the way to his summit with Presi-

Gorbachev arrived in Ottowa yesterday for a two-day official visit to Canadia, which is expected to be marked by demonstrations and appeals by the Baltic community for the independence from Moscow of their three republics, write Robert Manthner and Bernard Simon in Ottawa.

The action by Canadian Time Minister, appeals in the talks after this week.

Mr Brian Mulroney, the canadian prime Minister, aware that some 15 per cent of the Canadian population originated from eastern Europe and that Canada's Lithnamian continuity for the independence from Moscow of their three republics, write Robert Manthner and Bernard Simon in Ottawa.

The action by Canadian Lithnamians, Latvians and expected to take a firm fine on Baltic aspirations in his talks with Mr Gorbachev. Apart from the Baltic prob-lem, Mr Gorbachev and Mr

Muironey, and their two For-eign Ministers, Mr Eduard Shevardnadze and Mr Jee Clark, will discuss a wide range of international probMulroney will act as spokes-man for the west in urging that a unified Germany should be a member of Nato, a proposal so far firmly rebuiled by Moscow.

The only specifically bilat-

Lionel Barber in Washington writes: The Soviet Union has begun to dismantle its long-disputed Krasnoyarsk radar station, removing a significant obstacle to a strategic nuclear arms treaty on the eve of the

Gorbachev will announce broad agreement on a treaty cutting each side's long-range miselles by 30 per cent.

The Bush Administration, like the Reagan Administration, had warned Moscow that it would not sign a Strategic Arms Reduction Treaty until the Soviet Union dismantied the 30-storey high radar which it views as a violation of the 1972 Anti-Ballistic Missile Treaty.

RAISED IN THE

to US and Soviet officials in Washington.
The Soviet concession release hopes that Mr Bush and Mr Gorbachev will announce

### MAN and Daimler bid for Enasa blocked by Berlin

By Andrew Fisher in Frankfurt

THE planned takeover by MAN and Daimler-Benz of West Germany of Enasa, the Spanish state-owned truck producer. was put in jeopardy yesterday by a decision of the Federal Cartel Office in Berlin that the deal could not be approved in its present form.

MAN said that it had no

MAN said that it had no wish to acquire all or part of Knasa by itself, though Daim-ler hoped the cartel office's objections could be allayed. All objections could be allayed. All three companies are hopeful that an expected European Commission assessment of the deal will be more sympathetic.

MAN and Daimler, its bigger rival which owns the Mercedes-Benz car and truck maker, announced their joint takeover of 80 per cent of Enasa in December, MAN was to take 60 per cent and Daimler 20 per cent, at a cost of Pta28bn cent, at a cost of Pta2Sbn (\$270m). INI, the Spanish state industrial holding company

would keep 20 per cent.
The carriel office's decision,
not yet final, is the second
recent setback to MAN's plans to link up with other compa-nies. Last summer, its pro-posed acquisition of the marine diesel engine activities of Sulzer of Switzerland was also turned down on competitive grounds, a ruling upheld by Mr Helmut Haussmann, the Eco-nomics Minister, after the com-

pany had appealed. Mr Haussmann said in March, however, that the Boon Government supported the shase acquisition. He said the cartel office's worries about possible harmful effects on competition could be resolved. Yesterday, MAN said it could not comment on whether it might appeal to Bonn a sec-ond time. MAN and Daimler have until July 2 to reply to

the objections.

The cartel office said the combination of MAN and combination of MAN and Daimler, Germany's two biggest truck makers, with Enass would have a negative effect on competition, implying there would probably be no problem if only one of the companies would the accompanies. made the acquisition.

MAN said, however, that the deal had been carefully worked ceat had been carefully worked out so that it would take over the beavy truck side of Enase, and Daimler the lighter vehicle activities. MAN would also gain control of Seddon Atkinson, the small UK heavy truck maker owned by Enasa, while INI would take an 8 per cent INI would take an 8 per cent stake in MAN. Continued on Page 20

大きのののでするとなって、 これのできるのできる

## Skeletons begin to rattle as Banco Ambrosiano trial opens

By John Wyles in Rome

AN attempt to pry some of italy's most elusive financial and political skeletons from their closets began in Milan yesterday with the opening of the trial of 35 people charged with involvement in the fraudulent bankruptcy of Banco

Ambrosiano.

The list of accused ranges from members of the bank's board and officers who ran its foreign department to Mr Licio Gelli, the former grandmaster of the sinister P2 masonic lodge, and 79-year-old Mrs Anna Bonomi Bolchini, one of the most colourful names in BANK of Nova Scotia, Canada's fourth largest chartered bank, reported a 10 per cent post-war Italian finance. But in a country where the truth is always hard to pin down and usually multi-fac-eted, the trial could resemble

Hamlet minus not only the Prince but also King Claudius. The but also king Clausius. The truth about what happened to the \$1.3bn of the bank's funds which were never recovered apparently died with Mr Roberto Calvi, the bank's president, who was found hanging from London's Blackfirm Evidence June 18 friars Bridge on June 18, 1982. The role played in Ambrosicontractors have reported huge increases in profits. Page 24

ano's downfall by the Vatican's bank, Istituto per le Opere di Religione (IOR), will not be as closely scrutinised as it might

have been. The Italian Constitutional Court ruled that Archbishoo Paul Marcinkus, president of IOR during its years of partner-ship with Ambroslano, was protected from prosecution in Italy by the Concordat between the Italian state and the Holy

Ambrosizno's missing funds were lent to 10 overses dummy companies, owned both directly and indirectly by the Vatican Bank, which were located in the Bahamas, South America and elsewhere.

While the Holy See paid out \$24m to Ambrosismo's creditors in recognition of its "moral involvement" in the crash, Archbishop Marcinkus has publicly maintained that he knew nothing of Mr Caivi's extraordinarily complex deal-

interview two years ago, he had thought of lending Calvi money, thinking that "perhaps Roberto could do with \$200m." While part of Mr Calvi's pur while part of Mr Carvi's purpose was to take control of his
own bank through equity purchases by a skein of offshore
companies, it is not clear
whether he was part of some
"grand design" to subvert the
lialism state by financing right
wing terrorism or each a mile. wing terrorism, or even a mili-tary coup as has been sometimes alleged.

Some of those standing trial in Milan are known "fixers" with high-level political conwith high-level political con-tacts, and allegations that some Ambrosiano money was chameled into party political coffers are expected to surface during the proceedings.

But it has also been alleged that Ambrosiano money found its was to wank more accuraits way to much more extraor-dinary destinations.

FT-SE 108: 2,295.6 (+90)

FT Ordinary: 1,823.3 (+23.3)

FT-A All-Share

1,132,24 (+1.1%)

Mr Gelli has made similar claims and is denying the charge of having taken posses-sion of more than \$84m of

MARKETS

STEEL SHO

New York in \$1.6945 \$1.5950 (1,6900) OM2.6350 (2,6425) FF19.5475 (9.5750) SF12.3900 (2,4075) Y255.75 (253.00) £ index 88.9 (89.1) COLD New York: Comex Jun \$367.8

DOLLAR New York has OM1.6730 FFr5.6355 SFr1.40905 Y150.95 DM1.6720 (1.6820) FF:5.6325 (5.8650) SFr1.4085 (1.4250) Y150.90 (148.70) S index 67.2 (67.2)

New York lunch DJ Inc. Av. 2,847.72 (+25.8) SEP Comp. 357.38 (+3.2) 32,817.67 (-373,94). **LONDON MONEY** 3-month interbunk: closing 152% (154) Life long gilt feiure: Jun 82.3 (82%)

# HIGHLANDS. He claims that he had never even cashed a cheque with the bank and that millions of do-lars found in his Swiss bank accounts were his own money. In fact, said Mr Gelli in an THE

FAMOUS GROUSE FINEST SCOTCH WHISKY

QUALITY IN AN AGE OF CHANGE.

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Korea: Contrite Japan Improves relations with | Collor takes the knife to its neighbours .... Kashmir: President Bhutto wants to avert war but may provoke it .... Summit talks: Looking for ideas to replace the old assumptions --Managements The security that comes from a

close marriage ... Technology: Horses for fibre optic race-Airline deregulation: Europe flies in the face of facts .

Survey: World health care

## Brazil's trade policy



President Fernando Collor de Mello's new trade policy, like his other initiatives, is as simple as it is drastic; he is tearing down the country's formidable trade barriers and opening it to international competition

Observer 12 Stock Marketsworld 43-48 -London 35

London \$367.50 (367.25) N SEA OIL (Argus) Brent 15-day Jul \$16.45 (16.75) Chief priso changes yesterday: Page 21

Tokyo close: 150.70 Fed Funds 8¼ % 3-me Treasury Bills: yield: 7,985% Long Bond: yield: 8.838%

### **EUROPEAN NEWS**

## Yeltsin stokes nationalist fire in Soviet heartland

ON THE threshold of the power which he took yesterday as president of the Russian Federation, Mr Boris Yeltsin defined his programme a little more closely. He had until recently been among the vaguer of the Soviet Union's political élite on what is to be done - and that in company which is notoriously unspecific as to pro-

But in his speech to the Russian Federation's parliament last week, he produced a 13-point list of principles to underpin a Russian constitution. These, in essence, were a reproduction of the programmes adopted by the three Baltic States, shorn, of dence, but including a separate cur-rency, a separate citizenship and, as Mr Mikhail Gorbachev testily pointed out in his speech to the Congress three days later, no mention of the "Russian Republic" having a socialist character.

It would have a multi-party system Mr Yeltsin has until recently been opposed to the ending of the Communnist Party's monopoly — and, though this was not stressed, all forms of property would be permitted. Rela-tions between Russia and the other republics would be regulated by treaty, and trading between them would be on the basis of world prices. If this were to be implem

President Yeltsin would put himself at or near the side of Mr Arvydas Landsbergis of Lithuania: a radical nationalist, with the important distinction that Mr Yeltsin takes away from the union not a peripheral state, but its core. That is the measure of his challenge, and his task.

His dramatic, emotional persona is now well known on the world stage: he has spent much of the past year consolidating a popular base at home which Mr Gorbachev tried to deny him, and travelling the world issuing salvoes against the Soviet President's

In ostentatiously refusing the perks which membership of the establish-

ment brought him, in attacking corruption and privilege, he has struck a deep chord in a resentful populace. He has remained on the side of the economic right-wing radicals, calling for a faster transition to a market economy: yet he has never - as other radicals have - suggested that there is an economic price to be paid for

His Democratic Russia bloc in the Russian Soviet favours a stronger presidency, as Mr Gorbachev has on the all-union level: the crucial distinction they make is that the President should be directly elected, a hurdle the Soviet President has yet to take. The lightness of his ideological baggage means that his offer earlier this week of posts to the conservative nationalists in the Russian Soviet could be achieved without too much adjustment to either his position or theirs: in his speech last week, he called on "all national and patriotic forces [to] rally for the construction of a democratic civil society in Russia"
- clever chords to strike in that com-

If he is successful in bringing these forces together, and in expressing the vast and now wholly overt complaints which the Russians feel against their Government, their fellow Soviets and the world, he will pose the largest of challenges to the unity of the USSR.



## Mother Russia yearns to recover her identity

Sovietised, the USSR's richest republic is in many ways the poorest, writes John Lloyd Boris to fill shelves

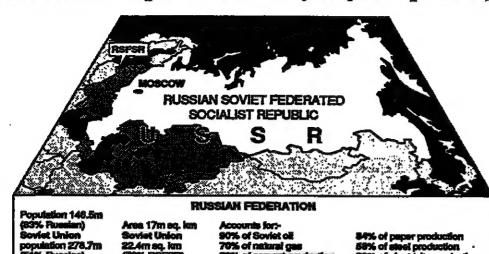
R USSIA is in every way the centre, the heart, the determinant of the Soviet Union: and it is this which has enforced its insignificance. In that paradox lie some clues to its future.

expansion under Ivan the Great, Russia has been the power source of empire and Moscow its capital Russia, for five centuries, has written itself large upon a widening diverse peoples and nations. It is thus an imperial centre of some antiquity: and the legacy still lives.

It is rich, or should be. It produces 90 per cent of Soviet oil, 70 per cent of gas, most Soviet cars. It is reckoned to give some Rbs70bn (£70bn at the official rate) to other republics: besides oil, gas and cars, most exports of timber, paper, copper, aluminium and nickel come from Russia.

Mr Valery Chichkanov, a Russian deputy prime minis-ter, has calculated that his state earns Rbs41bn a year from exports abroad, much of that in hard currency, but is allowed to keep only about 12 per cent of it.

Russiz "needs" only the grain produced from the neigh-bouring Slav republic of the



Ukraine (the second biggest, with 50m people): the other Soviet Socialist Republics are mainly a dead loss.

in its 148m citizens make up more than half of the population of the USSE (though some 20 per cent are not ethnic Russians); its land mass covers 11 time zones and Moscow, with 10m people, has a bigger population than all the Baltic states combined.

Nearly all of the politizate is

Nearly all of the politburo is

Russian (the Georgian Eduard Shevardnedze is the main exception), and it is rare to see a non-Slav with a really impor-

70% of natural gas

tant job.

But this has determined the terms of the paradox. Russians have run the system (with the very major exception of that other Georgian, Joseph Dju-gashvili-Stalin, who was more Russian than the Czar) but have done so in the name of the Soviet Union. Russia was

Sovietised, and spread all over the empire. The other nations were allowed to keep remnants of their nationality; indeed, Soviet power helped many only-spoken languages to become literary ones. But Russian memorials were destroyed in favour of Soviet ones, the Eussian language was bureau-cratised; Russia has no Com-munist Party of its own, no Academy of Sciences of its own and its ministries and institu-

\$4% of paper production

58% of steel production 52% of electricity production

tions are, more even than those of the other 14 republics,

It is this mixture, of being the possessor of the wealth and at the same time the piggy bank for the imperial mission, which Russian nationalism now attacks. The election of Mr Voltin chows that President Mr Yeltsin shows that Russian nationalism comes with many labels: "progressive-radical", in his case; orthodox-Gorbachev-ian, in the case of his losing rival, Mr Alexander Vlasov, the an premier, or Stalino-nationalist, like Mr Ivan Poloz-kov, his previous rival (who had earlier denied him an outright win). All share the view that Mother Russia has been violated for too long; all pro-pose some form of autonomy shading to independence.

Mr Yeltsin's variant, an indeendence which would include a separate monetary policy and a separate momerary pointy and substantially separate foreign relations, is (as far as it is con-crete) just short of complete separation. The policy of con-tinuing to extend the Mother Russia embrace to all the nowfractious foster children se to lack any sort of constitu-

Next year, Russia moves to Next year, Musaia moves to the system of self-financing that nearly every other repub-lic has already adopted. That should mean a fair degree of economic autonomy: but Mr Yeltsin's programme ones far Yeltsin's programme goes far-beyond it. As President of Rus-sia, he may, in time, have a more powerful position than that of the man he challenges,

## Muscovites look to

By Leyla Boulton in Moscow

DELIGHTED Muscovites yesterday greeted Mr Boris Yeltsin's election as president of Eussia like a ray of hope in a daily existence darkened by food shortages and anxiety

food shortages and anxiety about the future.

"That's great. I think Yeltsin will be able to do something to help us," said Mr Vladimir Skalsky, a watchmaker.

"This is not a life," he said, waving a plastic bag with a few supplies from the capital's depicted shops.

Miss Tatyana Kuznebaya.

depicted shops.

Miss Taiyana Kuznetsova, a
30-year-old building site
worker, went further. "He's
the only man who can do
something for Russia and give
us the things we need to live a
decent life," she said.

"Thank God, I'm very giad, Teitsin's one of the only hon-est Communists left," said pharmacist Tamara Troshina. Few people, however, cemed to know exactly how Few people, however, seemed to know exactly how Boris Nikolayevitch would improve things. "He'll fight the bureaucrats," suggested one Muscovite. "He's got a very concrete economic programme but I can't tell you much about it," said another.

Mr Evgeny Hapilov, an eyesurgeon wearing blue jeans, said Mr Yeltsin offered "economic freedom", which would generate political democracy. He said the economic reform plans defended by President Mikhail Gorbachev on telsvision last Sunday ware by contrast "empty, and nothing more than a set of price rises."

The enthusiasm of some Yeltsin fans revealed deep-rooted Russian chauvin-

deep-rooted Russian charvinisin and longing for a strong
leader. "We'll have some order
now and something in the
shops," said Mr Mikhail Bochlov, a brewery mechanic.

"Yeltzin wants to see Russia
as I see it — a place where we
are free and where we live better. I'm a Russian, I was born
here you see," said Mrs Afhina
Krivasheeva, 57, a retired
engineer. "Before, we gave our
wealth to the other republics
and they gave us nothing in
return. Now, we won't give
anything away for free anymore," she said, referring to
one of Mr Yeltzin's most popular election campaign themes.
He said last week that the

lar election campaign themes.

He said last week that the
Russian Federation, the largest of the Soviet Union's 15
constituent republics, had suffered most from the old-tyle command economy. Russia would stop subsidising the rest of the Soviet empire. Mrs Natasha Belova, a secre-tary, expressed the fears of a minority who see Mr Yelisin

as a dangerous demagogue. "People who like him want another Stalin. He's very another Stalin. He's very ambitions, he thinks only of himself and when he was head of the Moscow Communist party, he did nothing for us," she said.

One young mother with a harassed look on her face and a small daughter in tow was more concise. "I couldn't give a damn," she said.

slavia, earlier this week urged a new constitution, which was apparently aimed at stopping

the break-up of the Yugoslav

interpreted the statement as an attempt by the President to strengthen the power of the

centre at the expense of the

**BUY YOUR CARTIER DIRECT** 

Liberal-minded Yngoslavs

### Mitterrand sees bank having leading role By Poler Norman in Paris

offe

OTHER COUNTRIES and institutions may join the 40 nations and two European Community bodies as shareholders in the European Bank for Reconstruction and Devel-opment, President François ditterrand of France said yes-

terday.

Speaking at the official signing of the charter for the EBRD, Mr Mitherrand said that the bank should evolve into a

major world institution. He said that it had a great many instruments with which to carry out its mission of encouraging private enterprise

in eastern Europe.

Through loans, guarantees, equity investment and underwriting, it would fulfil a catalytic role and serve as a bridge bringing western knowhow to east European countries.
The Dutch Government yes

terday signed the charter despite its earlier objections to the way in which the group of seven leading industrial coun-tries had agreed to site the bank in London and appoint Mr Jacques Attali, special adviser to Mr Milterrand, as its first president.

However, the Dutch Govern ment was represented by Mr Cees Mass, the director of the Dutch Tressury, rather than a

### Spain may sell nuclear plant

ONE of Spain's most ember-ONE of Spain's most embar-rassing industrial white ele-phants, the twin 975MW units of the againg Lemonic nuclear power plant on the Cantabrian coast, may soon be packed up and carted away if still early negotiations to sell the plant to Romania succeed writes Peter Brace in Madrid. Lemonic, owned and built by

Lemoniz, owned and built by the big Basque-based utility the big Basque-based unity therefore in the late 1970s, never saw service. ETA, the Basque separatist group, killed a number of employees on the site to stop the plant going into production in the early 1980s. The current socialist Government saved it from further dis-grace in 1964 by declaring it part of a general moratorium on nuclear plant construction in order to save the country's

in order to save the country's coal industry.

Although the Industry Ministry is considering lifting the moustorium on some mothbelled nuclear plants, Lemoniz's chances in Spatin look, alim. The plant, valued on its owner's books at some Pts316hn, (\$3bm) has now apparently been brought to the attention of the Romanian Government, which is hoping to rekindle a national nuclear programme national nuclear programme started during the Geausescu dictatorship in order to cut down power station poliution.

Romanian engineers are said to be about to visit Spain. which claims the plant would be easy to take apart and reas-semble. The subject is believed to have been discussed during

st harder

kesh entr

-34E.

## FINANCIAL TIMES PUBLICATION

**EXPERT ADVICE ON THE** 

## STOCKMARKET

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A Financial Times Publication

## Call for new Yugoslav party MR ANTE MARKOVIC, resolve a political crisis which yugoslav Prime Minister, yes terday called for creation of a new political party in remarks which could lead to an open clash between his Government republics and two provinces.

Mr Markovic's suggestions of

turning his government team into a separate party drew

sharp criticism from conserva-tive communists in Serbia, Yugoslavia's largest republic. They fear erosion of their authority if the Prime Minister breaks away and forms a new

Serbia, led by Mr Slobodan Milosevic, has been one of the few republics reluctant to test

and the country's other main state body, the presidency, headed by Mr Borisav Jovic. "The federal government has decided to join the multi-party

elections and get the support of the Yugoslav people based on its programme, which has so far given exceptional results," Mr Markovic told Borbs, the

communist party daily. His statement represents another step in his efforts to

### French air traffic computer fails

FLIGHTS OVER France were severely disrupted yesterday because of the failure of the Paris air traffic control computer, writes Paul Betts, Aero-space Correspondent. Traffic had also been hit the previous day by a controllers' labour

The computer failure caused long delays and some cancella-tions in flights between the UK tions in flights between the UK and France, as well as Spanish, Italian, and Swiss services using French air space.

UK Civil Aviation Authority officials said yesterday the French computer failed three times. Such failures are relatively rare but when they do poor usually cause haves

occur usually cause havoc.
Controllers had to resort to
manual operations, which can
cope with only about a third of
the traffic.

British Airways said yester-day that a strike by nearly 4,000 Heathrow-based engineers was having no impact on services as a team of management and supervisory staff were maintaining operations.

Air traffic call, Page 9.

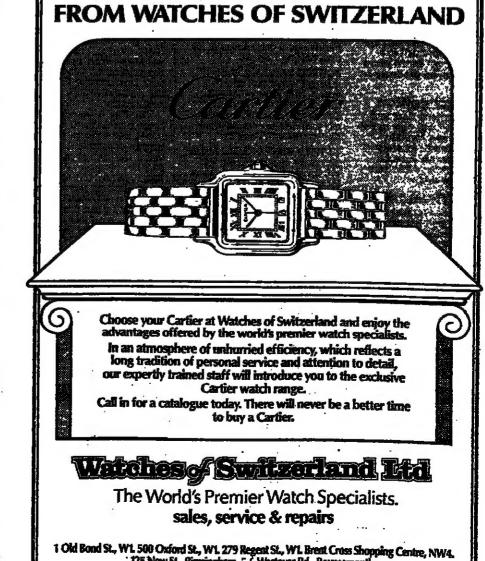
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growing autonomy of the republics, a trend Mr Markovic a visit to Spain recently by the Romanian Prime Minister, Mr recognises as inevitable.



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TZERLAND

By David Marsh and David Goodhart in Bonn

WEST GERMANY has offered to help the East German Government organise its borrowing on the capital markets
after monetary union on July
2, in a sign of the growing
momentum of political unity.

Even though the two states
will not be politically united
for covered months at least 

for several months at least, Bonn looks likely to guarantee and manage East German fund-raising, partly as a means

and manage East German fund-raising, partly as a means of saving borrowing costs, according to officials.

East Germany is due to borrow about DM10bm (£3.5hm) in the second half of this year to fund a third of its projected second half budget deficit of DM33bm. The German Unity Fund (GUF) set up a fortnight ago, which will start capital market borrowing after July in its own name with a Bonn government guarantee, will raise DM20bm this year to finance most of the rest of the East German budget shortfall.

Discussions between the Bonn Finance Ministry and the Bundesbank on starting GUF borrowing should be complete in about two weeks' time. Several important foreign institutions, including Japanese investors, have already contacted the Finance Ministry about subscribing to GUF issues, which are expected to carry interest rates slightly higher than on Bonn government bonds.

The Bonn Finance Ministry

SOCIAL DEMOCRATS TO STICK WITH LAFONTAINE FOR CHANCELLOR

ment fund during 1990-91.
The Finance Ministry is

playing down the perceived dif-ferences of opinion with the Bundesbank over the introduc-tion of the D-Mark into East

Germany on July 2, Officials point out that every detail of the monetary union treaty with East Berlin signed here on May 18 was worked out with the Bundesbank.

Referring to criticism of

Bonn by some regional mam-bers of the central bank's poli-cy-making council, officials say

MR OSKAR LAFONTAINE will remain the West German Social Democrats' candidate for Chancellor despite the confusion he has caused inside his own party by his repudiation of the state treaty agreed between Bonn and East Berlin to accompany currency union on July 2, writes David Goodhart in Bonn. Political advisers to Mr Lafantaine say that it

will not be a resigning issue if the party rejects his advice to vote against the treaty in the Bundesiag, where the Social Democrats are in a minority, but then to vote for it in the Bundesrat, where the party now has a

majority.

Mr Lafentaine, who is still recuperating from a knife attack at a political rally last month, wants the Government to carry sole responsibility for what he believes will be an economic crash in East Germany after economic union. But most SPD parliamentarisms believe it is too late to block economic union and that the treaty, smended if

possible, must be supported.

At Mr Lafontaine's prompting the Social Democrats are currently pressing the Bonn Government for various additions to the treaty

Government for various administs to the tremy

above all protective transitional
arrangements for East German companies. Mr
Hans-Jochen Vogel, the SPD leader (pictured
right), met Chancellor Helmut Kohl for talks on
the SPD demands yesterday. These were
inconclusive but will continue on June 12.

These in always wassistants agreement

inconclusive but will continue on June 12.

There is already provisional agreement between Bonn and East Berlin for selective and temporary import controls for a range of agricultural products and consumer goods.

Mr Helmut Haussmann, the West German Economics Minister, also announced yesterday that the proposed 12 per cent grant for investors, donestic or foreign, in East Germany would be extended beyond one year.

In addition, tax incentives were being established to make East German goods "imported" into West Germany more attractive.

"imported" into West Germany more attractive.

this was partly due to "a defi-cit of information" between the

Bundesbank's central director-ate and the more peripheral figures on the council.

figures on the council.

On the question of East Germany's own funding needs, officials say that East Berlin's access to credit markets will be kept on a close rein from Bonn during the run-up to full unification. They say that the state trust body (Treuhandanstalt), which owns most of East Germany's industry, will not be allowed to realise its proposal



to borrow DM50bn in the next two years to aid corporate

two years to aid corporate restructuring.

The monetary union treaty allows the Treuhandanstalt to borrow up to DM7th this year and DM10bn next year. Amounts above this limit can only be raised with Finance Ministry approval.

On West Germany's own budgetary prospects, the Finance Ministry is launching a bid to tighten spending discipline by central and state

pline by central and state (Land) governments. In a meet-

ing with the Länder today, the Finance Ministry will be trying to hold annual increases in overall public sector expenditure to 5 per cent in 1991, 4 per cent in 1992 and 3.5 per cent in 1993 after 6 per cent this year.

General public sector financing prospects have been greatly improved by unexpectedly large surpluses in the West German social security fund. This is likely to amount to around DM20bn this year and will be little changed in

and will be little changed in coming years.

### Commission dismay at watering down of anti-racism measure

By Lucy Kellaway in Brussels

THE EUROPEAN Commission yesterday took the unusual step of publicly distancing itself from a Community measure against racism and xenophobia on the grounds that the text had been so watered down as to be almost meaningless.
At the UK's insistence, the scope of the resolution, which

was agreed yesterday by employment ministers, was limited to racism directed at Community citizens rather than racism directed against any human being.

The resolution encourages member states to ratify international treaties on racism, to introduce their own race relations rules and to take steps to integrate minority groups into their communities.

In the initial draft the Commission was to undertake a comparative study of such laws in all member states, to initiate demographic studies and to help improve the flow of information between member

However, Britain argued that it was beyond the competence of the Commission to carry out studies where non-EC citizens were concerned, and in the final draft any Commission action will be

The UK yesterday made clear that its intervention did not mean that it was going soft on racism, but simply that it objected to Brussels overstepping its powers. Mr Michael Howard the Employment Sec-retary, said: "We yield to no-one in our determination to

no-one in our determination to deal with racism".

Social affairs ministers also agreed a resolution on tackling long-term employment, with the UK warning the other Twelve of its resistance to making any such initiatives legally binding.

A new fund set up for continuous training of workers was agreed but also met UK resistance on the grounds that the preamble referred to the legal right of workers to training a

right of workers to training - a right which the British Govright which the British Gov-ernment does not recognise. Little progress was made on a plan to allow EC citizens work-ing in a community country other than their own to bring their non-EC relatives with them. A Commission proposal was rejected by nearly all the northern member states as being far too generous, and being far too generous, and likely to open the gates to immigration into the Commu-

## Unemployment pay for the large numbers of jobless expected in East Germany will be financed largely through social security contributions by East German workers, although Bonn will inject DM5.75bn directly into the unemploy-France agrees on aid package for Poland

THE FRENCH Government pesterday agreed a new aid package for Poland, including a rescheduling of FFr8.3bn (2870m) of bilateral Polish debt, at the end of a two-day visit by Mr Tadeusz Mazowiecki, the Polish Prime Minister Polish Prime Minister.

countries. But at a joint press conference with Mr Mazo-wiecki yesterday, Mr Michel Bocard, the French Prime Min-ister, indicated that such a can-cellation was not being consid-

is projecting economic growth in West Germany at more than 4 per cent in 1990 and 3.5 per

cent next year. Because of booming tax revenues, the ministry is adamant that unification can be financed without the need for tax increases.

He conceded that it might be necessary to provide more help for Poland but added: "It is hard to reschedule every year". Yesterday's French resched-Yesterday's French rescheduling over 14 years, with a grace period of eight years, is the detailed application of the \$9.4m multilateral reschedul-

SWEDEN'S ruling Social Democrats are hardening their attitude against an eventual

Swedish membership of the European Community.

Mr Ingvar Carisson, the Prime Minister, argued in an article in the leading Dagens Nyhetar newspaper that Sweden could not join an EC which achieved political union because it would destroy the credibility of the country's

position," he said.
Such a forthright defence of
Sweden's traditional position
suggests that the Social Damocrats — at least for the moment - are in no mood to reassess their views of the EC pite the apparent end of the

have convinced Mr Carlsson that it is necessary to draw a firm line on how far he is will-ing to take Sweden in a conver-gence with the EC.

The EC issue is likely to fea ture heavily in the 1991 general election, with the Social Demo-crais at odds with the opposi-

to see Sweden apply for full EC membership after the general The Moderates, the main

opposition party, have already agreed to a policy which seeks Swedish membership of the EC. Neither opposition party believes EC membership is incompatible with Swedish neutrality, which they support. However, the Prime Minis-ter's words should help to calm many of the Social Democrat rank and file who dislike the suggestion that Sweden might eventually become an EC mem-ber. Social Democratic opposi-tion to EC entry is expected to grow stronger at this September's party conference. This is despite anxieties among some of the trade unions which want to take a more positive attitude to the EC and are fearful of the continuing rapid outflow of industrial capital from Sweden into the EC.

### SOUTHAMPTON

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Polish Prime Minister.

But it gave no concrete support to his appeal for a sweeping cancellation of Poland's \$40m foreign debt burden.

In a French newspaper interview published on the eve of his arrival, Mr Mazowiecki drew attention to the cancellation of West German debts in 1953 and asked why the same should not be done for Poland. President François Mitterrand told Mr Mazowiecki on se.40n municipateral rescheduling agreed by the Paris Club of creditor nations in February.

In addition, the French Government is providing FFF900m in export credits and FFr100m in livestment incentives for France-Polish joint venture rend told Mr Mazowiecki on Monday that he would be the "advocate" of Poland within the group of western creditor

Carlsson hardens stand on Swedish entry to EC By Robert Taylor in Stockholm

neutrality.
"On questions concerning war and peace in the world and conflicts and crises in our area. we must alone determine our

Cold War.
Indeed, the decision at the
EC summit in Dublin earlier
this month to examine the establishment of a political union inside the EC appears to

Brazil's President cuts through 40 years of import barriers, writes John Barham

BRAZILIAN President Fernando Collor de Mello's new trade policy, like his other initiatives, is as simple as it is drastic he is tearing down the country's formidable trade barriers and opening it to international

competition.

His foreign trade chief, Mr
José Artur Denot Medeiros, says: "Our trade policies are part of a wider, fundamental objective of stabilising and modernising the Brazilian

Industry has become obso-lete and lazy because it has long sheltered behind formida-ble trade barriers. Lack of competition has contributed to chronic inflation by allowing companies to charge high

The Government's answer, then, is to rip up the 40-year-old import substitution policies and convert, in a matter of months, to the free trade ortho-

doxy. But the new policies have an air of improvisation about them. Mr Medeiros himself operates from a bare-walled temporary office in a Brasilia government building. Most of his staff is located 600 miles away in Rio de Janeiro. Yet, Brazil has already abol-

ished much of its protectionist paraphernalia. A day after tak-ing office, Mr Collor abolished a 15-year-old list of forbidden



imports, abandoned corporate import quotas, did away with much of the foreign trade bureaucracy, allowed the currency to float, and scrapped nearly all export subsidies.

In theory, anybody can import just about anything. In practice, import licences are still required, import quotas are still in force, and some tar-iffs have increased. Brasilia fears a surge in imports may drain reserves, so it has limited them in May and June to \$2km

Mr Medeiros says that in future "tariffs will be our prin-cipal trade instrument and the sole protection for Brazilian industry". The plan is to reduce tariffs from an average of 37 per cent - brought down

by the previous government from 60 per cent in 1988 as a result of prodding by the World Bank - but he is not sure yet to what level or how long it

will take.

The transition from one of the world's most protected economies to an open trading system will be difficult.

System will be difficult.
Under the old policies, consumers and manufacturers had
to buy often-overpriced,
shoddy and old-fangled Brazilian-made products. To increase exports and compete with imports on an equal footing, Brazilian manufacturers will have to be able to import mod-ern components and machin-

They will face opposition from the corporate heavy-weights that benefit from pro-tectionism, from unions trying tectionism, from unions trying to protect jobs and the bureaucracy, because it believes the private sector cannot be

irnsted.

Mr Medeiros and many businessmen argue that there is a limit to trade liberalisation. Mr Joseph Tutundjian, president of Cotia, a leading trading company, says: "Brazil has to manage its trade because it needs a surplus to pay the foreign debt, so you have to find a compromise between freedom and getting that surplus."

Brazil's \$115hn foreign debt has forced it to reduce imports to a bare minimum and push

A day after taking office, Mr Collor abolished a 15year-old list of for-bidden imports, did away with much of the trade bureaucracy, floated the currency, scrapped most

exports aggressively to pay its \$10hn annual interest hill. This year's trade surplus target depends on the outcome of debt talks that are due to begin soon. Although Brazil stroped paying interest on nearly all its debts last September, defance of its meagre official reserves remains the Government's overrising priority.

However, World Bank studies show that reserves tend to grow as trade barriers come down, the currency is allowed to float, and the economy is stabilised. The World Bank worries that Brazilia will bring back controls if the balance of payments comes under

export subsidies

ance of payments comes under

A severe lack of financing also hampers import penetracompanies to secure long-term foreign financing for imports over a certain value. But for-eign banks and government agencies have cut their expo-

sure to Brazil. Budget problems have made the Government halve funds available under its subsidised export credit scheme, placing export cream senses, passing exporters at a severe disadvantage in foreign markets. However, \$1hn worth of World Bank and Japanese losus are available once Brazil actually implements its trade reforms.

To import more, Brazil needs to export more. Trade volumes are modest, given the economy's size. Lest year, imports and exports added up to \$52.76n, a mere 14 per cent of gross domestic product. Mr Tutandian says Brazil should triple trade volumes, while striping to earn an around size. striving to earn an annual sur-plus of about \$150n. Imports are already increas-ing. In the four months to

April, imports rose to \$5.8bn, 22 per cent more than a year earlier, while the trade surplus fell 41 per cent to \$3.2m. The US has already rewarded Mr Collor's resolve

by striking Brazil from its list of countries accused of unfair-trade practices, although it still grumbles about Brazil's disregard for intellectual prop-

### Paris tightens up public spending deals

THE French Government is planning a clampdown on anti-competitive practices in its FF:376hm (£39.7bm) public procurement market, William Dawkins reports from Paris.

A plan to boost a task force to ensure fair play in letting of public spending contracts is to be presented at today's weekly cabinet meeting.

This follows a spate of scandals over alleged corruption in

dals over alleged corruption in allocation of local authority

allocation of local authority building contracts, which has prompted the Government to tighten laws on financing of political parties.

Today's scheme brings France in line with an EC directive on enforcing fair public procurement rules, due for implementing in all member states in July, and making it easier for foreign companies to compete for public contracts.

Current French public parchasing rules only apply to contracts let directly by the state, accounting for just over a third of all public contracts, the Finance Ministry says.

The new scheme, needing partiamentary approach will

parliamentary approval, will extend this to local suthorties, representing 20 per cent of public purchasing, and state-owned companies, representing another 40 per cent. It sets out a code of practice for advantage and tradering for advertising and tendering public contracts.

## US seeks early conclusion to trade negotiations

By Andrew Marshall, Economics Staff, in London

THE US is committed to concluding the Uruguay Round of trade talks promptly and with tangible results, despite problems with agricultural trade, Mr Nicholas Brady, US Treasury Secretary, said yes-

Mr Brady was speaking in London, en route to the meet-ing of the Organisation for Economic Co-operation and Development which opens in

Paris today.

"We are determined to see these negotiations completed on time and with concrete results," he told the American Chamber of Commerce in London

"But we share some of the apprehension that surrounds these talks – at times they seem to go slowly and the agri-cultural sector sometimes seems impensivable."

Tension between the US and the European Community over farm reform, essential to the success of the trade talks, seems set to flare again in Paris. The US is pressing for a

Paris. The US is pressing for a strong statement on agriculture to be included in any communique emanating from the OECD meeting, but the EC is expected to resist this. Richard Crowder, US Agriculture under secretary, said yesterizy in Paris that there was a possibility that differences between Washington and Brussels over farm trade reform could prevent them reform could prevent them from signing a common state-ment at the end of this week's

meeting of the OECD. "I hope we get agreement in the communique," he said. "If not, we could end up with sep-arate communiques. I'm not saying it's a probability, but it's a possibility." A decision to issue separate statements could set back efforts to reach

under the aegis of the General Agreement on Tariffs and Trade (Gatt). President George Bush last week said the US would walk away from an unsatisfactory package.

Trade reform, especially in agriculture, is expected to be a major item on the OECD agenda. Brussels has resisted Washington's call for an overhaul of farm subsidies and trade barriers at the Gatt negotiations.

In remarks to the EC cereals m remarks to the EC cereals and feedstuffs trade committee, both Mr Crowder and Guy Legras, EC director-general for agriculture, said they would prefer to come away from world trade talks with no agreement than with a bad

Mr Crowder said the KC and the US had reached a stalemate over Washington's proposal to dismantie export subsidies, and that Brussels was alone in opposing the US plan. This area is crucial to any agreement on agriculture, so we must find ways to bridge our differences," Mr Crowder said.

our differences," Mr Crowder said.

Mr Brady did not say what the chances were for inclusion of farm trade and subsidy items in any multilateral trade agreement. But he did say: "We're hopeful that these talks do have concrete, tangible results and are concluded on time."

Mr Brady also said he saw a link between the recent depre-ciation of the yen and fluctua-tions on the Tokyo Stock Exchange, which may cause short-term fluctuations rather than disrupt longer-term stabil-ity. "It may very well be that this is a technical situation which is self-righting," he added.

### Turkey aims to simplify export tax regime by July

By Jim Bodgener in Ankara

TURKEY plans to simplify its export tax regime by July, fol-lowing sweeping imports liber-alisation since last summer.

But Turkish export houses say it will not solve their main difficulty — that internal costs are rising faster than lira

depreciation. to semi-official and private sec-traction to semi-official and private sec-tor institutions.

Like exports, import tariffs at a Castons Union with the will be unified from July I, ich ine Turkist Government now appears ready to settle for, in the interim on the long road to EC entry. An "opinion" from the EC Commission last December said Turkey's EC application would have to wait until after

The new scheme for exports will greatly simplify labyrin-thine regulations and docu-mentation procedures, some inherited from Ottoman times.

But one exporter was not convinced. "They reduce 300 documents to a single waybillone day, and slap on an additional 289 the next," he said.

Exports requiring prior authorisation will be limited to a few items such as weapons.
Meanwhile, withdrawing further to an information, advisory and macro-management
role, the Government will hand over regulation of many areas

down protection further for locally-produced commodities. locally-produced commodities.

For example, an import duty of 1 per cent on an individual item still means it carries total import levies of around 26 per cent, including other charges.

Turkey had a current account deficit of \$428m (\$253.25m) in the first two months of the year, compared with a \$253m surplus in January-February 1989.

my-February 1989.

Exports increased by 16 per cent to total \$1.99bn, but impetts rose by 47 per cent to total \$2.97bn, reflecting imports liberalisation coupled

with rising consumer de

### Mexican airline places \$1.1bn Airbus order

CORPORACION Mexicana da Aviacion: has placed firm orders for 16 Airbus A320 sircraft, with an option for 14 more. The deal for the 30 aircraft, signed on Monday, is worth \$1.1hn (\$850m), Richard Johns reports from Mexico

between the European consortium and Beeing, competing for the order with its 737. Mr Abedrop Davilla, Mexicana chairman, said the airline was negotiating the purchase of a further 20 A220s. further 20 A320s.
A critical factor in the choice.

The award follows a fight

of Mexicana was Airbus Indus-trie's ability to start delivering the first 16 strengt by the end of 1990, Mr Jorge Farrell Ber-

nal, the company's technical director, said. Boeing could not have supplied the 737 until much later, he added.

Mexicana is also negotiating a joint venture to build a £50m maintenance facility. Included in the deal would be technical

in the deal would be technical aid and pilot training.

Credit arrangements have yet to be finalised but involved in the financing are Banco intersectional and Chase Manhattan, which became a shareholder in Mexicana when the company was restructured last summer. Mexicana, Mexico's singest carrier, plans to invest \$3m over the next 10 years to replace its existing fleet of 38 Boeing 727s and six McDonnell Douglas DC 10s.

### Alitalia and USAir sign agreement on networks

ALPTALIA and USAir have signed an agreement simed at giving their passengers easier access to each other's net-works, AP reports. Under the terms of the

accord signed in Rome, passen-gers of Raly's national flag car-rier will be able to fly to 41 US destinations, making speedy connections with USAir flights leaving from Boston, Miami-and Los Angeles.

In turn, USAir passengers destined for eastern Europe or the eastern Mediterranean can fly Alitalia to Italy and make the appropriate connections in Rome or Milan. USAir is one of the leading domestic airlines in the US, but has intercontinental service only to London and, later this month, to Frankfurt.

Mr Giovanni Risignani, man-aging director of Alitalia, and Randall Malin, vice chairman and executive vice president of

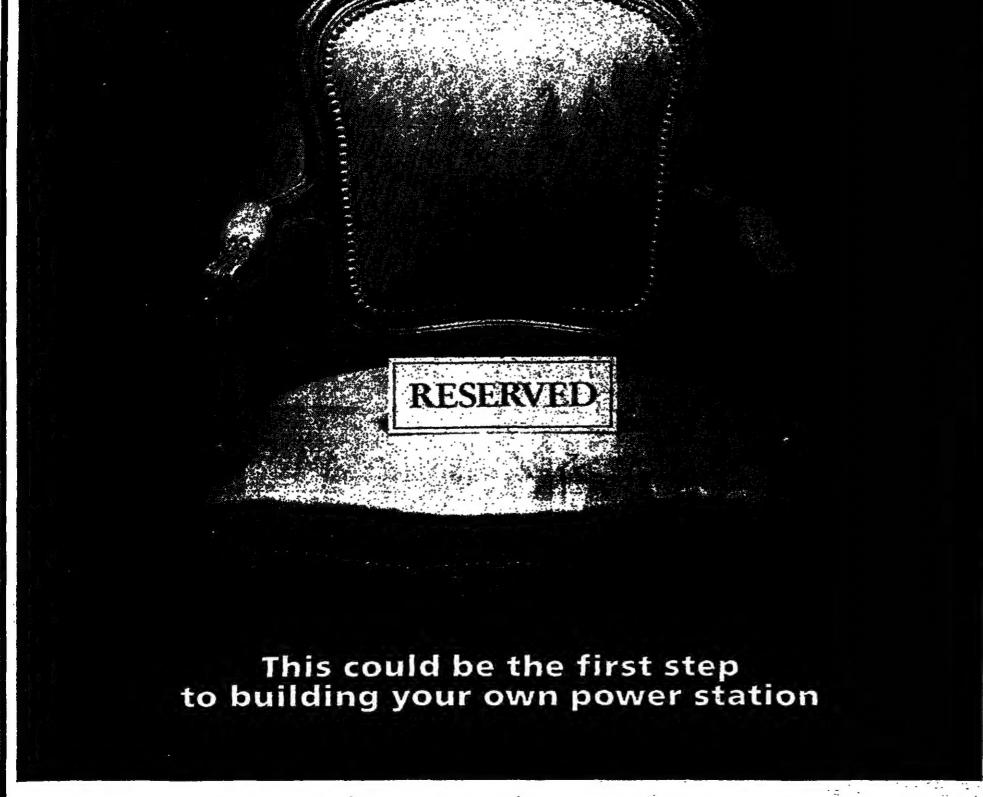
USAir, said that the accord was the beginning of what they hoped would be a long-lasting co-operation between the two

companies.

They said the agreement does not call for an exchange of shareholdings, but neither one of the executives would rule out an equity swap in the

Alitalia hopes the expanded access to the US destinations, including such commercial and tourist centres as Washington, Philadelphia, Detroit and San Francisco, will help it raise its market share of traffic between the US and Italy. in 1989, Alitalia transported 700,000 passengers on the transatlantic route, equal to 47 per cent of the

Pan American and Trans World Airlines are currently the only other two airlines serving the US-Italy route.



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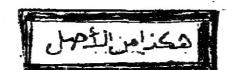
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CARLOS SALINAS DE GORTARI PRESIDENT OF MEXICO

June 5, 1990 is a proud day for Mexico.

On that day the Mexican Government plays host to United Nations' World Environment Day, the purpose of which is to send forth a clear message:

Let us build a better planet for children.

### A New Crusade.

It had its beginnings in 1972 with the establish-

ment of the first "Conference Of The United Nations On The Environment,"—held in Stockholm.

Its purpose then was to monitor changes in the environment worldwide, and engender proper environmental practices.

The people and Government of Mexico take pride in supporting what came to be known as "The Declaration Of Stockholm," a key component of which called for declaring the 5th of June World Environment Day.

### An Optimistic Focus.

World Environment Day will start with a commemorative ceremony in the Palace of Fine Arts with a keynote address by the President of Mexico.

Emphasis will be on achievement already realized in terms of scientific, technological and social contributions to such problems as acid rain, desertification, loss of species, contamination of the oceans, and atmospheric changes.

The point will be made to the world that Mexico stands as a nation for the principle that a healthy environment is essential for the common future of humanity, with particular stress on the quality of life our children will inherit.



## Environmental Partnership

The World **Environment Day Honor Committee** includes U.N. Secretary General Javier Perez de Cuellar, President George Bush of the United States, Prime Minister Brian Mulroney of Canada, President Rafael Angel Calderon Fournier of Costa Rica, President Mikhail Gorbachev of the

Soviet Union, Prime Minister Margaret Thatcher of the United Kingdom and many other world leaders.

Sponsors include offices of government, international and domestic environmental organizations and enterprises, youth groups and members of the artistic and cultural community. These organizations will host forums to discuss local, national and world environmental problems.

### Trees Mean Life.

Trees consume carbon dioxide emitted by coal-fired power plants and other sources. And carbon dioxide is a major factor in global warming.

That's why, on World Environment Day, a minimum of five million trees will be planted throughout Mexico—as many as possible planted by children.

At the same time a reforestation telethon will be broadcast live via satellite and by radio around the world.

### Countdown To The Millennium.

Now, in the twilight of the 20th century, is a time to re-establish our commitment to the earth and embark on a new decade of environmentalism as we count down toward the year 2000.

### Capsule of Hope.

A time capsule containing per-

sonal messages of hope for the next generation will be buried during closing ceremonies. The capsule, designed by Mexico's leading architect, will be sealed until June 5, 2000.

World Environment Day will serve as a symbol of international ecological solidarity by bringing together representative groups who will draft a letter to all the peoples of the world with concrete recommendations for safe-guarding the planet.

This event also provides an opportunity to break away from our dependence on fossil fuels and start encouraging an international energy policy that supports alternative energy sources and reduces the threat of contamination.

Initially, your children may not know how successful World Environment Day was. But eventually, they'll find out for themselves.



MEXICO WORLD ENVIRONMENT DAY JUNE 5, 1990.

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## De Klerk's visit to US postponed indefinitely

By Philip Gawith in Johannesburg

SOUTH African President F.W. de Klerk, who was due to meet US President George Bush on June 16, yesterday announced he was postponing his visit to the US because of controversy about its timing.

Mr de Klerk said he post-poned the visit indefinitely but would go to the US "when it can make a positive contribu-tion to our mutual relations" "President Bush...stands by his invitation and I will fol-low it up later at a time when

low it up later at a time when it can make a more positive contribution to our mutual relations," Mr de Klerk said.

Mr de Klerk said he had planned tell Mr Bush what he thought about recent events in South Africa and his plans for the country's future.

"Due to a controversy that has arisen in the US as regards the possible timing of my visit in June, and also because certain important matters would require my personal attention during the next few weeks, I have decided to postpone my visit to the US," Mr de Klerk

The problem arose over the

fact that President de Klerk's visit to the White House fell a week before that of Mr Nelson Mandela, African National Congress (ANC) Deputy leader. Various US politicians made it clear that domestic political considerations would make it difficult for them to presive difficult for them to receive President de Klerk before Mr

President de Klerk before Mr Mandela and that he should reschedule his trip.

He said that "domestic pres-sures aside" he wanted his visit to take place in circum-stances where he could have a broad range of discussions.

A senior South African gov-ernment official said Mr de Klerk was milkely now to visit

ernment official said Mr de Klerk was unlikely now to visit Washington this year.

Mr Bush invited Mr de Klerk and Mr Mandela for separate visits after the South African head of state introduced sweeping political reforms in February, including Mandela's release from a life prison term.

Mr de Klerk returned on Saturday from an 18-day nine-nation European tour aimed at convincing leaders of his commitment to a non-racial democratic South Africa.

## Contrite Japan improves relations with neighbours

AVING finally found the right words to apologise for past brutality in South Korea, the Japanese Government is a little closer to the cherished goal of bringing its political influence more in line with the country's economics. line with the country's eco-nomic influence in Asia.

The three days of painstak-ing diplomacy during the just-completed visit to Tokyo by South Korean President Roh Tae Woo, including the apol-ogy by Emperor Akihito, brought progress in resolving the legacy of 35 years of Japa-nese colonial rule and in pointing bilateral relations towards the future. But the problem of the past

will not be erased by a sentence from the Japanese emperor, sincere as he obviously was in delivering the much polished words to Mr Roh at a welcoming banquet in the Imperial Palace.

Government officials from both countries are using phrases such as "watershed" and "turning point" to describe Mr Roh's first official visit to Tokyo, yet the more difficult task of overcoming traditional resemments remains not only for Japan's relations with South Korea, but also with China and other countries in

the region.
Another potential turning point for Japan's role in the region will come next week when Tokyo bosts a three-day ween rogyo moss a inter-nay meeting between Prince Noro-dom Sihanouk, head of the Cambodian resistance coali-tion, and Hun Sen, the Cam-bodian Prime Minister, to dis-cuss a potential role for the United Nations in returning

the country to peace.

The unpredictable prince and the complex politics sur-rounding the Cambodian question, in particular China's bitterness towards Vietnam over its influence in Cambodia, will present Tokyo with difficult foreign policy choices if it intends to continue with the honest broker role. The meeting will be the first peace talks held in Japan since the end of

the Second World War.
Japan's own relations with
China remain as troubled by
history as those with South Korea. Some Japanese politicians have seen the past year as a rare opportunity to improve relations with Peking, bearing in mind the isolation generally of the Chinese Gov-

John Ridding and Robert Thomson on South Korean President Roh's visit to Tokyo

ernment after the crushing of

Washington and Tokyo have argued over Japan's plans to proceed with a Y810bn (53.13bn) soft loan package for China, while a few Japanese politicians have attempted to ingratiate themselves with Peking by asking the US to maintain China's most-fawarured patien trade benefits

voured nation trade benefits.

The Japanese Government realises that resembnent runs deep in China over wartime brutality, and while Chinese officials have been delighted to use Japan as a stage for domes-tic political reasons in the past year, they are privately con-temptuous of Tokyo. Deng Xiaoping, the paramount leader, this month made public his fears about the growth of Japan's military, and his fears are typical of those among the Chinese elders.

Tokyo's problem is that influential elderly Communists are veterans of the war against Japanese occupation from 1937

While Premier Li Peng received an apology from Emperor Akihito early last year, and even invited the emperor to visit Peking, some in the Chinese Government remain suspicious of Japan's ambitions in the region and are determined not to be become reliant on Japanese

The centrepiece of Mr Roh's visit, the imperial apology for Japan's brutal colonisation of the Korean peninsula between 1910 and 1945, has received mixed reviews in South Korea. The emperor at least made clear that Japan was to blame for the "unfortunate past", a point that was not obvious in a 1984 apology to then President Chun Doo Hwan.

Further progress will be made if Tokyo resolves outstanding disputes over the sta-tus of South Korean citizens in Japan, and if the economic rivalry between the two

### Sind killings increase pressure for direct rule

PAKISTANI Prime Minister Benazir Bhutto held crisis meetings in the Sind provincial capital Karachi yesterday as killings increased in the city and pressure grew for direct rule from Islamahad, Reuter

reports from Karachi. Gunmen roaming Karachi
Gunmen roaming Karachi
killed five people and attacked
an express train on the outskirts, killing one person and
injuring 15. More than 170 people have died in the provinctal
capital and Undanhed capital and Hyderahad, 90 miles to the north, in four days

Ms Bhutto, who flew to Karachi on Monday night for emergency talks with Sind Chief Minister Aftab Shahban Mirani and Governor Fakhruddin Ibrahim, held talks with

to dismiss Mirani's provincial government and take direct control of Sind from the Paki-stani capital, Islamahad.

Ms Ehutto was also due to meet army chief General Mirza Asiam Beg on his return from Hyderahad where his troops restored order on Sunday after some of the worst bloodletting in years of ethnic strife in Sind. More than 80 people were killed on Sunday when police searching for arms opened fire on crowds of men, women and children who defied a curfew to take to the streets demanding the withdrawal of security

President Khan denounced the police for an "ill-planned"

The latest violence has federal and provincial politicians for most of the day
She is under pressure from opposition politicians to ask
President Ghulam Ishaq Khan

## Can Burma's military bow to the will of the people?

The regime was caught off guard by the results of Sunday's elections, reports Roger Matthews

BURMA'S first general election for 30 years has left the country still finely poised between the over-whelming will of the people and the tenacious grip on power exercised by a handful of military officers. In the summer of 1988, Bur-

In the summer of 1988, Burmese in their millions marched
and demonstrated in a massive
popular demand for democratic
reforms. The regime eventually
responded by ordering troops
to open fire, killing and wounding thousands.

On Sunday, in elections
organised by the same regime,
the Burmese people again courageously showed their contempt for their military rulers.
Even the regime has been

Even the regime has been forced to admit that at least forced to admit that at least two-thirds of the votes have gone to the opposition National League for Democracy led by Aung San Sun Kyi.

The same question is there-fore raised again, only even more insistently, will the mili-tary now finally bow to the demands of the Burmese peo-ple and quit?

Just as in the summer of 1968, the military elite appears to have been caught off bal-

ance and it may be some time before the ageing General Ne Win and his immediate circle of loyalists agree on a course of

The State Law and Order Restoration Council (Slore) which crushed the prodemocwhich crushed the pro-democracy demonstrations in 1988 may well have assumed that by arresting opposition leaders, employing torture and denying freedom of speech and association, it could ensure the election result it is presumed to have desired: a victory for its own National Unity Party.

for its own National Unity Party.

Such is the arrogance of Siorc, headed by General Saw Maung, it may even have convinced itself that the uprising of 1988 was indeed the work of Communists, whom it has consistently blamed, and may therefore have been genuinely surprised by Sunday's results. An army colonel stressed yesterday that in his opinion the vote did not indicate any resentment against Slore.

resentment against Slore.
Some diplomats speculated yesterday that the international outcry which had been raised over the past formight may also have convinced Slore



U Kyi Maung, acting chairman of the National League for Democracy, discusses the prospects of a new constitution.

that the electoral process, through which it had hoped to regain a modicum of interna-tional respectability, had not proved convincing.

In an attempt to retrieve the situation it was therefore creat-

ing an impression of abiding by the outcome of a self-evidently free and fair vote, but at the same time laying plans to delay and eventually frustrate yesterday that official results had still been announced for only about 30 constituencies and recalled that Store had said it could be three weeks before the final tally of seats was known. There was therefore plenty of time for a change in the pattern of voting to be decreed.

the state of the s

Certainly Slore is likely to be Cartainty Store is filedy to be watching international reaction closely, anxious as it is for a resumption of aid flows, particularly from Japan, which contributed about \$250m (2148m) a year before 1968 and is by far Burma's largest credible.

tor.
In its first reaction to the election results, a Japanese spokesman said yesterday that it was too early to tell whether if was too early to tell whether a democratic government would emerge in Burma. Slore has also said it would only hand over power to a strong, stable government, and indicated that the first task of the 485 elected members of Parliament would be to draw up a new constitution. A long and new constitution, a long and probably contentious process.

extent on Slore's assessment of its ability to command the con-tinging loyalty of the army. A preliminary analysis of or preliminary analysis of voting trends in Rangoon suggested that even in constituencies in which the military and their families were heavily represented the results had been strongly in favour of the National League for Democratic

But against this has to be set the 28 years since General Ne Win seized power and, perhaps more important, the past two years. In the heady, euphoric summer of 1988, when it looked as if nothing could stop the rehirth of democracy, there was much speculation about the conditions under which Gen Ne Win would agree to depart. Some opposition leaders speculated that his single most insistent demand would be safety for himself and his family in Burma.

After the events of the past

After the events of the past 18 months, it may prove more difficult for the opposition to make any concessions.

While democracy now looks more inevitable than ever, the means of getting there remains dangerously obscure.

in Gabon

By William Dawkins

ELF Aquitaine, the French oil group, yesterday restarted oil production in the troubled West African state of Gabon, so removing a serious threat to the country's main source of

the country's main source of export earnings.

Elf, producer of just over half of Gabon's oil, said it resumed operations in the former French colony because the 1,000 French troops stationed there had provided protection against the anti-government riots, which appeared to be coming under tenuous control yesterday afternoon.

B denied that the decision was linked to a valled threat by President Omar Bongo to offer Elf's exploration rights to another oil group. Mr Roland Dumas, the French Foreign Minister, had earlier said that state-controlled Elf' should restart production now that

restart production now that calm was returning to the country, which has been in a state of unrest since last

week.
The move came as the Gabo-

nese Government declared a state of siege, ordered troops

the country's oil capital, and

begin to round up demonstra-tors. However, there were reports of continued intermit-tent guntire in the south of the

city.
The riots, the worst in Mr

Bongo's 23-year rule, flared up after the discovery last week of the body of Mr Joseph Rend-jambe, secretary general of the opposition. Gabonese Progress

Party (PGP), in a hotel room. Port Gentil's French residents

were yesterday under military protection in a hotel and in the Rif compound, said an army

### The pace and direction in which events now move is likely to depend to a large any handover of real power. Other diplomats pointed out Elf resumes oil output

### **Reluctant Kaunda to** allow democracy vote

By Michael Hall in Lusaka

ZAMBIA will hold a referendum on the introduction of multi-party democracy. President Kenneth Kaunda announced yesterday at the end of a two-day meeting of the 600-member National Council. But he warned that a vote for an end to one-party rule would threaten stability and could derail Zambia's economic reform programme.

reform programme.

Mr Kaunda is strongly opposed to multi-party democracy and is expected to use all means at his disposel to ensure

a favourable outcome.

"As a party we are saying the people are free to make their choice," he said. "And when they make that choice, the party will respect it." But it would be "stupid" for his party not to explain to Zam-

bians that a vote for a multi-party system would be "courting national disaster."

The semi-official press is already reporting a propaganda campaign that has labelled those in favour of change as "drug-traffickers, misfits and makenitents."

makontents".

Diplomats say in some rural areas, party officials have told villagers they would be evicted from their land if there was a

return to multi-party democracy.

Trade union leaders — whose constituency of mainly urban workers numbers at most 500,000 — are the best organised opponents of President Kaunda, whose government's mismanagement of the economy has caused a drastic decline in living standards.



Rioters toes stones at riot police preventing demonstra-tors from entering the legisla-ture building in Taiwan yes-terday. Parliament approved by 186 votes to 27 the appoint-ment of Defence Minister Hau

Pei-tsum as premier after a day of violent protests inside and outside the chamber, Bentar reports from Taipel.

Taiwan's premier is appointed by the president and confirmed by parliament and party and its supporters.

## Indian five-year plan seeks 5.5% growth rate

By K.K. Sharma in New Delhi

Government's plans for devel-opment will involve an esti-mated investment of Rs5.97bn (£207m) over the five-year period 1990-95 to achieve an annual growth of 5.5 per cent. This investment for the Eighth Five-Year Plan period is somewhat less than the Rs6.5bn, aiming at an ambi-tious 6 per cent growth rate, projected by the previous gov-ernment. But it still aims higher than any average growth rate achieved until

The average annual prowth in the Seventh Plan period (1990-85) is estimated at 5.3 per cent, the highest in the last

four decades.

The Government's paper on the approach to the Eighth Plan, published last week, avoids giving firm figures of investment or targets on the ground that its emphasis is on

Indian for developments are higher an estimated for the same and the s the Government's commitment to allocate half of its own

resources to the agriculture sector is to be carried out.
Also on the cards are changes in industrial policy to implement the sims of development mentioned in the approach paper. The approach paper clearly hints at further liberalisation of the Govern-ment's industrial policy which is expected to be amounced

"A return to the regime of direct, indiscriminate and detailed controls in industry is out of the question. Past experience has shown that such a ground that its emphasis on control system is not effective control system is not effective control system is not effective in achieving the desired objectives have been worked out by economists on the basis of the growth rate aimed at and the target of a domestic

THE Indian Government yesterday announced policy changes that permit the private sector to set up steel-making plants which have so far been reserved for the pub-

lic sector, the first such liberalisation made by the V.P. Singh Administration in indus-trial policy, writes K.K. Sharma. The main change is the opening of steel-making through use of blast furnaces to the private sector, subject to a maximum capac-ity of 250,000 tonnes a year. At present, all steel plants in the country using the blast furnace method of making steel and pig from, except Tata Iron and Steel, are in the public sector.

The new policy, autounced by Mr Dinesh Goswand, Minister of Steel and Mines, to

icy of liberalisation in the past decade. However, it also draws attention to distortions that it aims to correct. These include the rapid growth of some industries catering to the better-off sections of the population and "the diversion of scarce resources to non-priorwin a larger role, and the paper even hints at privatisa-tion. There may be situations where greater private sector involvement or participation in areas hitherto retained with

ity uses.

The approach paper also restlicts that the public sector will continue to play a leading role in the economy, concentrating mainly on development

Parliament, also permits modernisation of electric arc furnaces (sometimes known as ministeel plants) provided they use sponge from and not imported steel melting scrap. Plants which have : their operations to produce finished steel.

Mr Goswani said the liberalisation of the

ar coowant san the interatment of the steel policy was being made to expand production so that imports — at present worth around Rs12hn a year — are reduced.

Hints that sectors such as power generation and road building are to be opened to the private sector have been given recently. A paper on the Government's development strategy for 1990-95 has also indicated a greater role for the private sector.

entered numerous other areas of activity where its presence is not necessary to promote self-sustained growth of the aconomy or to serve any essenof infrastructure and produc-tion of what are described as "strategic goods".

But there is a clear indica-tion that the private sector will

an compound, said an army official.

Elf expected output to be running at half normal rates by yesterday evening, improving to 80 per cent by this morning to 80 per cent by this morning. according of to serve any essen-tial social purpose."

The paper makes just a pass-ing reference to foreign invest-ment, stating that "foreign cap-ital has also a role to play as a medium for bringing in better technology, even if the quan-tum is unlikely to be large in relation to the size of the bel-"The public sector has of late ance of payments gap."

ing to 80 per cent sy this mani-ing. Its decision to cut produc-tion for the past six days has underlined Gabon's depen-dence on the French oil group. Eit's 66 offshore wells account for 5.1m tonnes of the comtry's 10m-tonne annual oil out-Most of the rest is produced by Shell, the Anglo-Dutch group, mainly from an onshore well, Rabi Kounga, jointly owned with Elf and the Gabo-

# ness Government. Oil analysts in Paris argued that Mr Bon-go's threat to seek alternative US, Chinese or Soviet produc-ers was impractical.

### Japanese output for April falls A 10.8 per cent fall in recorded

exports, on a customs-cleared basis, led to a 0.9 per cent decline in Japanese industrial production between March and April, the Ministry of International Trade and Industry said, Cay Hatris writes.

The fall in output was the first reported since Japanese. first reported since January, but April production was 3.2 per cent higher than a year previously.

Another factor in the output

decline was the usual bunch-ing of production just before the companies' financial year-end on March 31.

....

Manila reforms The Philippine Government is

set to introduce a number of structural reforms in a bid to bring down domestic interest rates and the inflation rate, Mr Jesus P. Estauislao, the Finance Secretary, said yesterday, Greg Hutchinson writes.

The first-quarter inflation rate was an average of 13 per cent, according to the Central Bank of the Philippines.

Mr Estantiaco said he could not "tolerate" this level of

### Business is lured into the Kalahari desert Mike Hall reports on Botswana's efforts to diversify its economy

sun-baked mining town on the edge of the Kala-hari desert is an unlikely place to find a resi-dent employee of the Industrial Development Authority of Ireland. Apart from a high ratio of cows to people, Botswana has little else in common with ireland And Michael O'Flanna-

gan has nothing to do with cat-tle; nor is he a mining expert. But as director of a small team of consultants, Mr O'Flannagan's task is to have foreign investors to Selebi-Phikwe, Botswana's third biggest town built around the single largest employer in the country, a copper-nickel mine. A few years ago when cop-per-nickel prices plummeted, the mine's future, and that of its 5,000 workers and 50,000 or so dependants, looked bleak. Prices then picked up. But they learnt that the town cannot depend on the fluctuations of the London Metal Exchange, nor on the continued existence of viable ores.

The same samples to Bot.

The same applies to Bot-swana as a whole. An impoverished nation of cattle-herders at independence in 1966, it's economy has been one of the world's fastest growing in the ast 15 years, averaging about 13 per cent a year. But it has come to rely heavily on just one commod-ity-diamonds. Which is why

the Government is now preoc-cupied with diversification.

in 1988 Selebi-Phikwe was chosen for an experiment. The outcome will influence Botswans's continuing attempts to diversify, and could have important lessons for other African countries trying to create the right climate for everseas investors. Funded by a World Bank

Attracting large companies to a little-known mining town on the edge of the Kalahari is not

loan, the project aims to encourage manufacturers to locate in the town and create about 10,000 jobs over five years. Its achievements have been modest so far. Six compan modest so far. Six companies have invested \$8.2m with projected employment at 1,430. nother six companies are in the pipeline. Since Botswana lacks a mod-

ern entrepreneurial class, any substantial private investment is likely to be foreign. "We've been to Zimbabwe and South Africa to see what we could get," says Mr O'Flan-nagan. "But there isn't enough, we're looking further

A small domestic market means new industry would also have to export. The need

for as many jobs as possible and the lack of skills makes labour intensive, low-technology industry preferable. The most obvious is textiles.

"The Government is intrigued by the possibility of emulating Mauritius," says Mr O'Flannagan. Officials and businessmen recently visited the Indian Ocean island where textile firms now face a labour shortage. "There's no reason why they can't be encouraged to support here," said one office of the country to expand here," said one offi-HIS month a team will visit Hong Kong to per-suade companies uncer-tain about the foture to invest

in Botswana. An office with a full time consultant has also been set up.
The visit follows the announcement of an incentives

package for foreign investors: companies must locate in Sele-bi-Phikwe, be at least 10 years old, export 100 per cent of out-put outside southern Africa, employ at least 400 within two years and invest a minimum of 25 per cent of capital costs as The incentive is a nominal

15 per cent tax for 20 years and exemption from witholding tax on dividends paid in the first 10 years. In addition, there are a range of subsidies available under a Financial Assistance Policy (FAP), probably the most important of which is an 80 per cent wage bill subsidy

The example of Mr Dawood Khonat's Algo Industries in the capital, Gaborona, is often held up to those sceptical of Bot-swama's ambitions. When he first set up in 1982, he employed seven; now his group provides work for 2,000, an increasing number of whom

the public sector could be con-sidered on a selective basis," the approach paper says.

Since Botswana lacks a modern entrepreneurial class, any substantial private investment is likely to be foreign.

are engaged in stitching jeans.
Already one in every 300
pairs sold in the eastern United
States are made in Botswans. most of them by Mr Khonat's workers who manufacture workers who manuscree churn out 50,000-75,000 a month. His second factory, employing 350 and adding another 50,000 pairs a month. is due to open in June. And two more are being plauned. Algo industries also exports garments to Zimbabwe and other southern African countries and to major chain stores in Europe. "I've even sold jeans to Japan," says Mr Klonat, who adds that the Japanesa seem to be looking beyond established producers in Asia for new and cheeper

Botswana is not affected by textile quotas and it has the labour, although initially Mr Khonat says he found his workers 20 per cent as produc-tive as in Europe, a figure which rose to 60 per cent after

R Khonat's and others success (one company, Image Botswans, owns a finhion store on London's Bond Street) has sur-London's Bond Street) has surprised many observers, including Mr Quill Hermans, governor of the Benk of Botswans.
"If you'd told me 10 years ago
that there would be a thriving
little textile industry here in
1990 I would have said you
were mad."But Mr Khomat has
not located in Selebi-Phikwe.
And although it is too early to
assess the whole project, it
already has its critics. They
argue that it is a knee-jerk
response which boils down to
subaidising job creation; that
when the subaidies run out,
companies will move elsecompanies will move else-

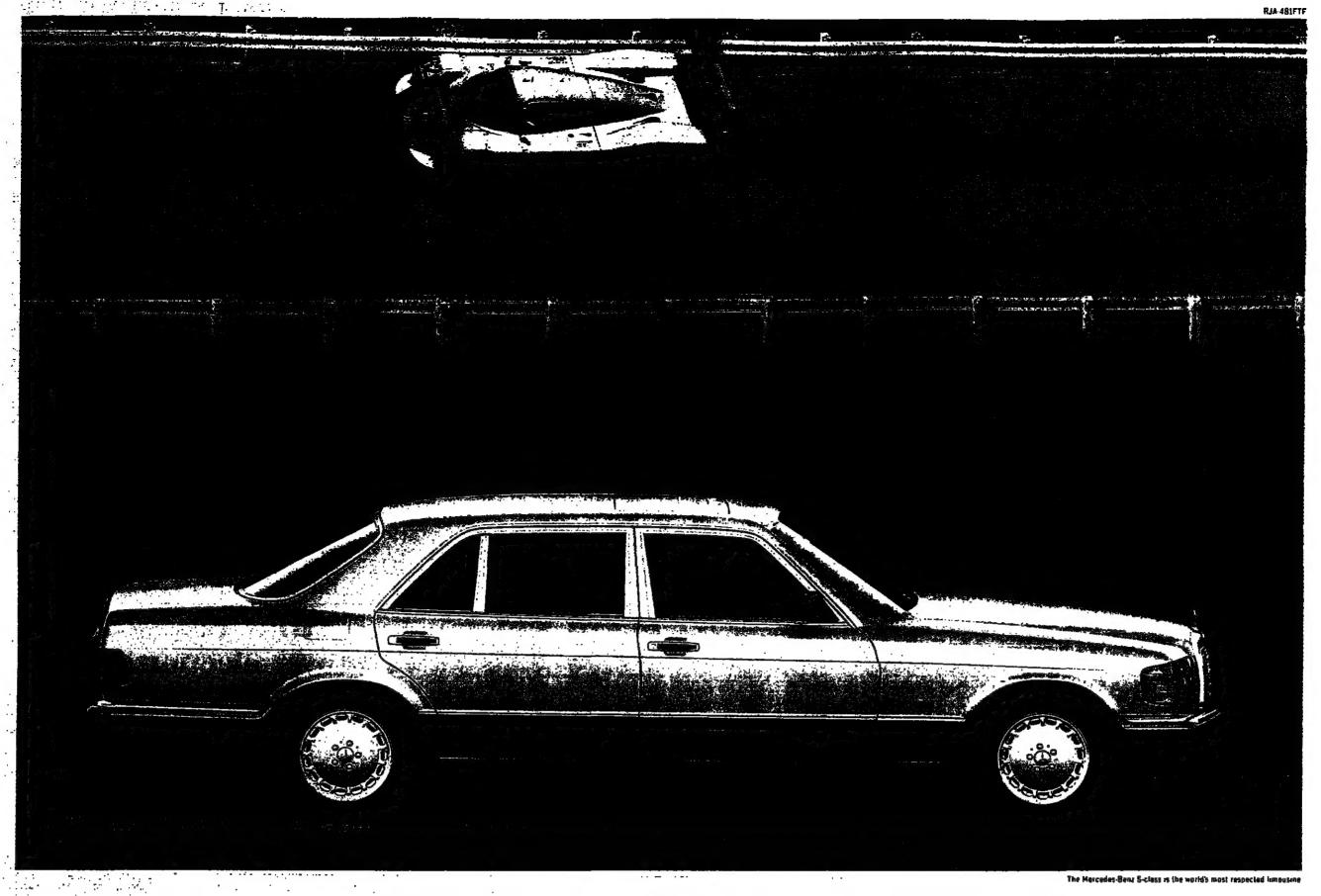
"You have to start some where," argues Mr O'Flannagan, who stresses all new projects are tested for viability. And once a few companies firms are established in the town, he says, it will encourage others.

Mr O'Flantagen admits that attracting large companies to a little-known mining town on the edge of the Kalahari is not



Elf resum oil output in Gabon





There's more common ground between the Mercedes-Benz S-class and the Sauber-Mercedes

The Mercedes-Benz S-class. the eye. In fact, they're as closely related as their hugely A less opulent version won the 1989

lap is complete. But after such an outing, you'll at least understand why the S-class engine is so

noise levels and savage cornering powers will

probably exhaust you before a single racing

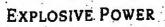
reassuringly robust.

Look in each engine bay for with unanswerable conviction. World Sports Car Championship. the powerplant they share: the

### UNRIVALLED REFINEMENT

The S-class is a car of unique on-road presence and refinement that continues to define the luxury motoring experience.

It has to do with the perfect fusion of many things: the refinement and effortless muscularity of the six-cylinder and V8 engines; the harmonious balance of the springing and damping; the flawless construction; the quality of interior appointments; the strength of the body shell; the grace of the body line. The silence.



Take a purposeful drive in a Sauber-Mercedes, however, and your first response will be a sharp intake of breath. The rock-hard ride, shattering





ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

racing version delivering explosive performance for up to 24 hours at a time; the S-class working its passage for a lifetime - unobtrusively, powerfully, and with unstinting reliability. The six-cylinder 300SE offers 130 mph-plus autobahn potential, and the flagship V8 560SEL, 156mph and 0-60mph in less than 6.9 seconds. (Manufacturer's figures.)

### UNMATCHED EXPERIENCE

The well of motoring experience that Mercedes-Benz draw on is unmatched by any other car manufacturer. And it's a tradition that sustains the pre-eminence of the seven-car S-class range.

Pity, therefore, the hard-pressed driver of the Sauber-Mercedes. His car makes room for only the S-class's V8 - not its interior opulence.

### **AMERICAN NEWS**

## Amazonians create environmentalist alliance

Sally Bowen reports on an agreement formed in Iquitos, Peru, to improve forest resource management



### Notice Habsburg, Feldman **Holdings Limited**

Notice is hereby given that the Second Annual General Meeting of Habsburg, Feldman Holdings Limited will be held on Wednesday, June 13th 1990 at 9.30 a.m. at The Tropic Isle Building, Wickhams Cay, Road Town, Tortola, British Virgin Islands.

### Agenda

- 1. To receive the accounts for the period to June 30th 1989. 2. To approve ratify and confirm the actions of the Board of Directors since the last Annual General Meeting and to reappoint the present Directors of the Company.
- 3. To re-appoint Arthur Anderson S.A. as auditors of the
- Company. 4. To transact the ordinary business of the Company.

Date: May 23rd 1990 Registered Office: The Tropic Isle Building Wickhams Cav

Road Town

British Virgin Islands

management where everything is used, but rationally." An hour's motorboat ride down the broad and muddy Amazon lies the 50 year-old riv-

Indian stood with a schoolroom pointer

before a rustic chart depicting the elements of "our healthy

life" in the Amazonian jungle.

Listening intently were repre-sentatives from the Worldwide

Fund for Nature, Greenpeace, the National Wildlife Federa-

tion. Friends of the Earth and

other international conserva-

actor on the scene," said Oxfam America director Rich-

ard Smith. "A decade ago nel-ther side would have dreamed

Yet it was just what hap-pened at a conference recently

in Iquitos, Peru. The Co-ordina-

ting Body for Indigenous Peo-

ples of the Amazon Basin

called the first ever conference

between indigenous Amazonian peoples and the major international environmental

agencies. After the five day encounter, they signed a his-toric "indigenous and environ-mentalist alliance for an Ama-

zon for humanity."
"We, the forest and its mil-

lion indigenous inhabitants, belong to each other," argued Coica President, Evaristo Nug-kuag. "We have used the forest for millennia without harming

of this happening."

"Now we have a new kind of

erine community of San Rafael, populated by detribal-ised Indians and mestizos (mixed race) fleeing first rub-ber-tappers, then prospectors and timber-extractors.

Conference delegates resources. A small saw-mill trekked for two hours more and carpentry workshops are through dense tropical jungle planned for the traditional riv-Conference delegates trekked for two hours more

full-blooded Ashaninka it. We understand integral region of Amazonas.

Indian stood with a management where everything The Iquitos area has not suffered the wide-scale deforestation of many other Amezonian regions, but the threat of indiscriminate timber extraction is ever present. The San Rafael project, by identifying mer-chantable timber, will allow for planned felling of selected trees in a timescale that permits natural regeneration of

> We, the forest and its million indigenous inhabitants, belong to each other, says Evaristo Nugkuag, President of the Co-ordinating Body for Indigenous Peoples of the Ama-zon Basin (Coica). We have used the forest for millennia without harming it. We understand integral management where everything is used, but rationally.

(Coica), founded in 1984 and grouping national organisa-tions from Peru, Brazil, Ecua-dor, Bolivia and Colombia, had to verify indigenous peoples' claims to being the environment's natural guardians.

Deep within the forest, with
World Wildlife Fund financial and technical support, they have created a 1,000 hectare community reserve and have conducted a sample inventory of 7,482 trees. The most valuable bear plastic numbered tags. The aim is to control and protect the extraction of forest

reserves, especially timber. Similar reserves, with no legal status but actively guarded by the indigenous populations, exist in many other communities in this Peruvian

erhank village of woodframed, thatched huts "to give us more value added from our wood." And it is a project adminis-tered entirely by the forest's own inhahitants

Elsewhere in the area, the Peruvian indigenous people's organisation Aidesep, with Peruvian government support and Dutch and Italian technical assistance, has other schemes to improve resource management along traditional

Model one-acre subsistence agricultural plots demonstrate techniques of clearing forest

cles, with small vegetables on the inside, protected and nour-ished by encircling larger

maine, yacca and plantains.

The surrounding forest, in a ratio of at least 10 acres to each planted acre, provides all necessary organic material. permitting permanent coltiva-tion instead of too-familiar siash, burn and move on meth-

No artificial fertilisers are used. Gigantic banana leaves replace plastic sacks for the removal of rubbish. Seeds germinate in metre-long hollowed out tree-trunks, and seedlings are planted in bamboo pots beneath a thatch of palm leaves to guard them from the blazing tropical sun. Pesticides are banned. Insect-repellent plants encircle the nurseries providing natural protection. To this demonstration

orchard come Aguarumas, Shi-pibos, Boras, Cocamilias, Indi-ans from far-off, isolated communities, ninety at a time, to learn better agricultural and conservation techniques over a three-month period. The program is bilingual and so far offers instruction in 14 of the 22 Indian languages spoken in the region.
Environmentalists were

impressed. "We didn't come here with solutions to the prob-lems of the rainforest - it is techniques of clearing forest clear that the solutions are and planting in concentric cir-here already," said Green-



Shipibo Indians whose main income is decived from ceramics are

peace's Meg Ruby.
Conference delegates sub-scribed to Coica's proposition that recognising and titling Indian territories would enable indigenous peoples to steward Amazonian resources and defend the rainforest from the "irresponsible development and depradation" that is being permitted even within existing so-called national parks and

Raymond Oppenheimer, present in Iquitos es an observer for the Ford Founda-tion, summed up: "it's a quid pro quo. The conservationists agree to support titling and consolidation of Indian terri-tory in exchange for a sustain-ship management system. hie management system. This new relationship will

### Strike threatened over election results

THE ARMY and the police have been placed on alart in the Dominican Republic as the Cantral Elections Board tries to determine the winner of presidential elections held a formight ago.

The elections board is

attempting to verify earlier counts of the votes which indicated a narrow victory for Mr Joaquin Belaguer, the 83 year-old incumbent president and leader of the conservative Reformist Social Christian Party. However, Mr Juan

Dominican Liberation Party, has accused the RSCP of "per-petrating a colossal fraud", in an effort to maintain power, Mr Bosch, aged 80, has threatened to call a general strike if the verification of the votes is not done "correctly"

 Miss Eugenia Charles has been returned for a third con-secutive term as Prime Minisisland of Dominica in general elections on Monday, 130.

### Rebels cut power supplies

A FACTION of Suriname's anti-government rebel group has occupied a major hydro-power station in the centre of the country and has been cut-ting off power to Paramaribo, the capital.

a peace agreement with the Government. Following fight-ing between the Angola faction and the main rebel group, the Jungle Command, Angola said it wanted its own negotiations. Government officials in the Dutch-speaking South American country, say the splinter group, calling itself "Angola", is apparently unhappy with efforts by Mr Rouny Brun-

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April 1985

### **AMERICAN NEWS**

## Probe into status More Soviet of funds in US banks abroad

By Peter Riddell, US Editor, in Washington

THE liability of US banks for deposits in overseas branches that are restricted by foreign governments is to be re-examined after a ruling yesterday by the US Supreme Court which affects the legal status of hundreds of billions of dollars in offshore denocities. lars in offshore deposits.

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The judgment yesterday, ordering a Federal Appeals Court to reconsider its ruling, does not resolve the basic legal question about the status of much denotity.

such deposits.

The appeal court had ruled, in July 1988, that Citibank in New York was liable to Wells Fargo for \$1.06m (2620,000) regarding deposits made with a Citibank branch in the Philippines. However, the latter branch was unable to repay the deposits — made in dollars by Wells Fargo Asia — because of economic regulations made by the Philippines Government in 1983 and intended to stop an exodus of dollars from the exodus of dollars from the

that it was proper to make Citi-bank liable in New York because the funds were trans-ferred through New York accounts of both Wells Fargo

THE liability of US banks for Asia and Citibank-Manila, and because there was an agree-ment between the two banks to permit collection in New York. The Supreme Court yesterday ruled, by eight to one, that the appeal court should be bound by an earlier district court finding that there was no agreement. The appeal court has been ordered to reconsider whether, in the absence of an express agreement, Citibank could be held liable as a matter of state, US federal or international level.

> Both the New York Clearing House (including leading com-mercial banks) and the Bush Administration had challenged Administration had challenged the appeal court ruling. The clearing house said the latter's ruling "calls into question the legal status of hundreds of bildeposits throughout the

> It noted that the transfer between the two banks was handled through a standard international electronics pay-

ment system. The Federal Reserve has estimated that 900 foreign branches of 171 US banks hold \$240bn in deposits.

## wheat sales sought

By Bernard Simon

CANADA is to push for expanded wheat sales to the Soviet Union during President Mikhail Gorbachev's two-day visit to Ottawa, which began yesterday. Canadian officials said that

Prime Minister Brian Mulroney would raise the issue of wheat sales with Mr Gorba-chev, by way of following Sovi-et-Canadian talks, which began in Moscow a month ago, on renewing the existing

on renewing the existing long-term agreement between the two countries.

Under the pact, which will expire this autumn, Canada guarantees to sell — and the Soviet Union to buy — 25m tonnes of wheat over a five-year period. A Wheat Board official in Ottawa said yesterday that the Canadians wanted to extend the agreement for to extend the agreement for longer than the customary five years and to increase guaran-teed volumes.

canada is the largest supplier of wheat to the Soviet Union, with about 27 per cent of its total imports. Wheat sales, valued at C\$514m (258m) last year, account for three-quarters of Canada's exports to the Soviet Union.
Canada's market share has recently been threataned by aggressive US and European Community suppliers.

### All the old assumptions have been shattered, write Peter Riddell and Lionel Barber HE talks in Washington

this week between Presidents George Bush and Mikhail Gorbachev have already been called the first post-Cold War summit. Unlike the previous 14 meetings of US and Soviet leaders over the past 30 years, the discussions will not be about containing superpower rivalry but instead will focus on how to create a new security framework for

It now looks like the comof the confortable assumptions of the Cold War era have been shattered in less than a year. President Bush, as much as President Gorbachev, is groping to find a workable replacement to deal with the meaning of German unification and the collapse of the Warsaw Pact.

The contrast could not be greater with Mr Gorbachev's last visit to Washington in December 1987 when he was lionised as the hero of perestroika and glasnost, the acceptable face of Soviet power. Now he comes across as a battered and increasingly vulnerable leader who may well face demonstrations in Washington over his squeeze on Lithuania.

Yet, it is a paradox that Mr Gorbachev remains as popular as ever with the American public, largely because he is seen as having reduced world ten-

sions. He is credited with opening the way to significant reductions in US and Soviet arms and the prospect of a big cut in American defence spend-

The meetings this week are as important for President Bush as they are for President Gorbachev. The US President has taken a characteristically personal view of his relation-ship with the Soviet leader. He believes he can do business

believes he can do business with Mr Gorbachev.

Last week Mr Bush typically said he was looking forward to the more informal "feet-up" session scheduled for this Saturday at Camp David, the US Presidential retreat outside Washington, when they could discuss the future shape of Europe.

Europe.

After an initially cautious start, Mr Bush and Mr James Baker, his Secretary of State, have committed themselves to the future of Mr Gorbachev as Soviet leader. For the past six months they have avoided any actions or public statements which could be construed as undermining him, even at the risk of appearing to soft-peddle over the blockade on Lithus-nia. They have not sought to gloat over his serious internal problems, but, in Mr Baker's rounds to seek points of

words, to seek points of mutual advantage.

American conservatives are increasingly critical of Presi-

dent Bush and Mr Baker for being too willing to make excuses for Mr Gorbachev and for not playing the strong hand the US now has with the Soviet Union. On this view, Mr Baker has made too many concessions to get an agreement in principle this week on strategic

No Cold War comfort for summit leaders

arms.

The Bush/Baker counter-argument is that the US should take advantage of Mr Gorbachev's position to lock in agreements because, in the words of one senior official: words of one senior official:
"We don't know what's coming
next." The incidental benefit,
of course, is that these deals
would be in place if Mr Gorbachev were to be replaced by a
more confrontational Soviet
leader.

leader.

It wen so, there are limits to what President Bush is willing to do to help Mr Gorbachev. There will be no direct financial assistance and, at the US insistence, the Soviet Union will not be a net borrower from the new European Beach for Reconstruction. an Bank for Reconstruction

pean Bank for Reconstruction and Development.

Mr Bush had to bow to the Democratic Party majority in Congress in delaying a bilateral trade treaty with the Soviet Union – already agreed in principle – because of the Lithuanian crisis.

Depending on last-minute talks, the two leaders should be able to announce broad

reduction in intercontinental nuclear missiles (Start) and to sign a treaty destroying the bulk of their chemical weapon stockpiles, as well as approving a variety of commercial and cultural accords.

In the past, these arms control agreements might have been regarded as an historic achievement, as was the more limited intermediate range nuclear missile treaty in December 1987. A Start treaty has, after all, been 18 years in

the making.
However, these matters appear of less importance this week. Mr Brent Scowcroft, the President's national security adviser, has said the fundamental summit issues are not going to be arms control but "remaking a political map of Germany and also secondarily what's going on in the Soviet Union". The so-called 2-plus-4 talks

(of the two Germanys and the four wartime allies) on the future security arrangements future security arrangements for Germany have reached an impasse. The Soviet Union is insisting that a unified Germany should not be a member of the North Atlantic Treaty Organisation. But President Bush and Chancellor Helmut Kohl of West Germany argue that there should be no limits on the sovereignty of Germany, which they believe

Mr Bush will want to gauge the room for negotiation in the Soviet position. This also affects the talks about reducing conventional forces in Europe (CFE) which have stalled in the past couple of months. A CFE treaty, involv-ing substantial reductions both in Soviet and US troops in central Europe, is the prerequisite for any agreement on future security arrangements for Germany and the rest of Enrope.

The US President wants Nato to be the anchor of this new security framework to provide stability in the face of resurgent nationalism and rivalry in Europe. For the US, Nato serves as the vehicle for continuing American influence

in Europe. But for many European poli-ticians Nato looks increasingly anachronistic compared, say, with the cross-alliance 35-nation Conference on Security and Co-operation in Europe and the potential of the increasingly united European

While Mr Bush has superfi-cially the stronger hand at the summit in relation to Mr Gorbachev, both leaders are grappi ing with forces in Europe which they cannot control – in marked contrast to the Cold

### **Bush and Gorbachev** to sign air agreement

signed at the Bush-Gorbachev summit here this week.

The key issue, now resolved, was the percentage of tickets on US flights from the Soviet Union that can be paid for in roubles. Moscow had insisted that rouble-paying passengers should be limited to 2 per cent of the total; the US had pressed for 15 per cent, seeking to open the market to travellers lacking convertible currencies.

After a stalemate last week,

an 8.75 per cent limit has been agreed.
Only Pan American and According to the Accord agreement, six more US air-lines will be able to fly

AN AGREEMENT to triple the number of sirline passengers who can travel between the US and the Soviet Union will be signed at the Bush-Gorbachev to reach a maritime to the street to reach a maritime to the street to reach a maritime to the street to reach a street treaty to resolve various boundary disputes.

However, it is highly unlikely that the major bilateral trade treaty to lower US tariffs and opening markets will be signed this week, even though the remaining details have been sorted out. This is both because the US pre-condi-tion of a law to liberalise emigration has not yet been
passed by the Soviet parliament and because of economic
sanctions by Moscow against

Lithuania. Under the deal, the USSR would become eligible for the lowest available US tariffs, while the US would secure bet-ter copyright protection for

between the two countries, plus a second Soviet ariline it one is formed.

The atrine deal is one of various commercial agreements expected to be signed at the summit. These include a terropyright protection for American computer software in the Soviet Union.

In a separate agreement, the Soviet Union will make a start on repaying the Lend-Lease expected to be signed at the summit. These include a money owed to the US.

### Pinochet reprimanded for human rights statement

PRESIDENT Patricio Aylwin of

Chile summoned his predeces-sor, General Augusto Pinochet, sor, General Augusto Pinochet, to the presidential palace in Santiago late on Monday to reprimand the army for having uttered political judgments on a national commission investigating human rights violations under the military regime which stepped down in March. Mr Aylwin made clear that he would not tolerate the army "questioning or discussing decisions taken by the president," according to the Government spokesman.

The rebuke for the general,

ment spokesman.

The rebuke for the general, still the army chief, came after the army had issued a statement at the weekend that questioned the objectivity of the Comission for Truth and Reconciliation set up by the president last month.

The statement said the army

dent last month.

The statement said the army feared that the commission would be manipulated by groups seeking to undermine the prestige of the armed forces and of Gen Pinochet in particular. It also questioned the right of the commission to the right of the commission to investigate abuses committed before 1978, when the ruling military decreed an anmesty to cover foregoing abuses.

This was the second time in a month that Mr Aylwin and Gen Pinochet had clashed over human rights. The other armed services have decided to seek a modus vivendi with the new civilian authorities but Gen

civilian authorities but Gen Pinochet feels compelled to defend the record of his rule. Most of the agents of the CNI secret police, for example, came from the army. The CNI was disolved shortly before Gen Pinochet stepped down in March and its members were taken into the army. On Monday, the president formally asked the general to hand over all the files of the former secret police. These are believed to contain data on the fate of some 800 people who

fate of some 800 people who disappeared after being detained by the military regime's security apparatus of the military regime. The files, however, are unlikely to see the light of day. Gen Pinochet told journalists: "What archives? I don't have any."

• Workers of Compania de Teléfonos de Chile, the main domestic telcommunications company voted overwhelm.

company, voted overwhelm-ingly yesterday for an indefi-nite strike from tomorrow to back a pay demand.

CORRECTION

### Mexican devaluation rate

MEXICO has reduced the rate at which it devalues its currency. It has not announced a dollar every banking day, starting from this week. This reduces the annual rate of 20 per cent devaluation, as

incorrectly reported in the Financial Times yesterday.

The devaluation is part of Mexico's Pact for Economic Stability and Growth, the government's anti-inflationary permits the Mexico and the second sector of the sector of t ernment's anti-inflationary economic stabilisation programme. The pact — an agreement to an increase in the daily minimum wage, now set at just under 10,000 pesos.

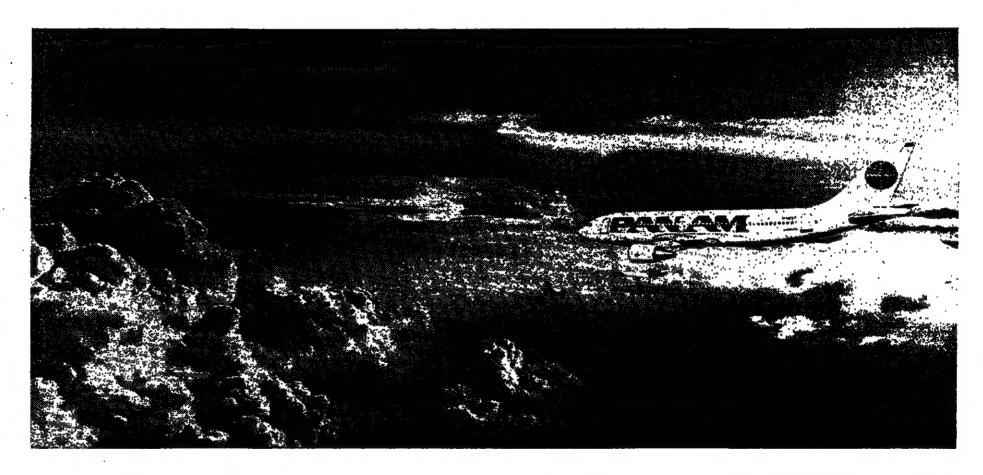
Mr Salinas described the adjustment as "the consequence of a strengthening of public finances and of more stable conditions in the princiextended from August 1 to Jan-

devaluation to about 10.5 per

The agreement also freezes wages and prices on private-sector goods but allows the government to charge more for stable conditions in the princi-pal economic indicators."

Since the beginning of 1989, the peso has been depreciated against the US dollar by one would benefit from the adjustment of the exchange rate and lower interest rates, decreasing He said that businessmen ment of the exchange rate and peso every banking day — an lower interest rates, decreasing their costs and consolidating a more favourable environment rate of 80 Mexican cents to the

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## **Economy slows** despite strong industrial figures

GROWTH in the UK economy slowed in the first quarter of the year in spite of strong per-formances from the manufacturing and services sectors, fig-ures indicated yesterday.

Preliminary estimates from the Central Statistical Office suggested that the output of the whole economy was 0.4 per cent higher than in the previous quarter. The year-on-year growth rate moderated from

22 per cent to 15 per cent.
The UK equity market rose sharply as traders appreciated the fact that the economy was still managing to register a positive growth rate in spite of the Government's long regime of high interest rates

The figures indicated a gradual slowdown in economy without the damage to corpo-rate profits wrought by negative growth rates in a recession. The FT-SE Index finished

30 points higher to 2,235.6. The Treasury welcomed the figures as evidence of a slowdown in the economy after a batch of economic statistics had already this month shown an unsettling resilience of domestic demand.

Within the service sector,

the output of distribution,

hotels and catering was 0.5 per cent higher; manufacturing output was 1 per cent higher while the output of the energy sector dropped by 3 per cent. This decline was attributed to a mild winter and storms in the North Sea.

The Treasury said the fig-ures confirmed the picture we are trying to give. The year-on-year rate has dropped." The GDP series were com-

mensurate with a selection of indicators this month, it said. These were the sharp drop in car registrations in April, a decline in new housing starts and the EC/Gallup consumer confidence poll.

All of these indicated a weakening in domestic demand compared with last month's retail sales and trade figures, which pointed in the opposite

Analysts. however Analysts, nowever, suggested that after a prolonged period of high interest rates, the economy should be slowing faster. The year-on-year rise was "a little larger than people wanted", said Mr. Simon Briscoe, UK economist at Greenwell Montagu, the

### **Anglo-French N-policies** show close 'similarities'

**BRITISH** and French policies on the control of nuclear weapon proliferation and export of nuclear technology are virtually indistinguishable are virtually indistinguishable, according to a UK think-tank specialising in nuclear weapon studies, writes David Fishlock. Science Editor. It says that is the case even though Britain has signed the Non-Proliferation Treaty and France has

France is now "far more relaxed with regard to its nuclear uniqueness," argues Dr Harald Muller, director of international programmes at the Peace Research Institute, Frankfurt, in a report for the Centre for International Policy Studies at Southampton Uni-

versity. He says the two nations differ only in public attitudes and statements. But he adds that only top-level lobbying by other European states will persuade France to sign the Non-Prolif-eration Treaty (NPT). There is no sign of it yet, Dr Muller Dr Muller traces the history

of French policy towards nuclear weapons from the 1940s, when French scientists - unlike the British - were excluded from the US project to make the atomic bomb. Faling into line? Centre for International Policy Studies, Department of Politics, Southampton University, Southampton SO9 5NH, No charge.

### Shareholder action wins better offer for Verkade

By Laura Raun and Nikki Tait

REBELLIOUS Verkade shareholders yesterday won their demand for a swestened bid from United Biscuits, paving the way for the UK biscuit maker to acquire the Dutch chocolatier. The company is offering revised terms of F1447 (\$79.67) a share, valuing its target at around F1296m.

Resistance from the institutional shareholders, who control about 45 per cent of Verhade's common shares, REBELLIOUS Verkade kade's common shares, crumbled after several days of negotiations with UB brought a 12 per cent increase in the

UK group's initial offer of FI 400 per share. Their block will give UB about 86 per cent of Verkade's common shares. The UK company already owned a 22 per cent stake and had acceptances for its original offer in respect of a further 20 per cent. Investors holding the remaining 15 per cent are also expected to tender, according to Verhade's advisers.

Yesterday, Mr Robert Clarke, chairman and chief executive at United Riscuits, conceded that the revised bid conceded that the revised but for Verkade was a "compromise deal" and that UB had been surprised by the institutional opposition. "We would have preferred that it had not happened," he said.

But UB still maintained that the compress dilution will be

the earnings dilution will be relatively mall in the first year - around 2500,000 in 1990 - and that there will be earnings enhancement thereaf-

The new price will paid for all the shares which UB does not own. However, given the 22 per cent stake which it already owned, the UK group said that its average buying price would be reduced to Fl

price would be reduced to F1
436.5 per share.

UB launched its bid in early
April. It had secured all the
necessary agreements with
management, but ran into the
shareholder obstacle. By getting a higger piece of the cake,
the institutions, who have
been traditionally passive
shareholders, may inspire
other Dutch financial institutions to take a more active tions to take a more active

## Logica warning shakes computer services sector By David Owen

THE computer services sector was shaken yesterday by a profits warning from Logica, one of the largest independent software companies in the UK.
Logica's statement, which indicated that profits for the six months to June 30 would be "significantly below market forecasts", wiped 80p or more than a quarter off the group's share price and seems sure to give rise to fresh take-over speculation.

it came about ten weeks after the amouncement that Mr Philip Hughes, chairman and co-founder, is to step down to pursue a full-time career as a

"I suppose it (the profits warning) makes us more vulnerable (to take-

over)", Mr Hughes said yesterday. The computer services sector is already perceived to be in a state of flux, with questionmarks hanging over both SD-Scieon and Hoskyns, two of

Logica's principal UK rivals.

Earlier this month, talks between SD-Scicon — in which British Aerospace has a 25 per cent stake — and Silgos of Franca were abandoned after it was decided that the possible areas of collaboration did not justify a long-term strategic alliance.

Magnethile Logica's principal UK rivals.

Meanwhile, a controlling interest in Hoskyns has been up for sale since the joint takeover of Plessey by GEC and In contrast to Logica's difficulties,

Rolfe & Noisn Computer Services, the futures and options software specialist, yesterday announced a 50 per cent increase in 1989-90 profits.

The USM company said it had bene-fited from strong growth in software licence revenue.

hoence revenue.

Logica's current problems lie principally in its US operations, which it now
expects to trade at a "significant" loss
during the year largely because of a
failure to clinch a number of "high value" product sales and licence revenues by the financial year-end.

Up to \$im of second half restructuring costs have also been incurred.

According to Mr Haghes, the reorganisation will cut annual US costs by

In the UK, Logica said it had experienced similar sales difficulties "albeit

on a smaller scale." In both cases, the main problems involve customers in the finance sector which accounts for over 30 per cent of

the group's business It also warned that "additional resources" would be necessary to comte two major fixed-price projects, one in the UK and one overseas.

The combined cost overrun for the two projects is thought to be about £2m. In the six months to end-December, the group reported pre-tax profits of 28.02m - a fall of 19 per cent.

## Brooke steps warily in minefield of Ulster

The cautious approach is working in Ireland, write Ralph Atkins and Kieran Cooke

OT many expected Mr Peter Brooks, Northern Ireland secretary, to get this far.

After five months of negotia tions conducted in gentlemanly spirit with the province's political parties, there is hope that talks on its political future could be under way by the end

of the year. In Northern Ireland – where passion and defiance are often more visible than consensus and co-operation - that change of mood is an achievement in

But Mr Brooke - known for his metaphors - realises he has only reached the first stepping stone across a wide river. Past Northern Ireland secretaries have got further only to find their aspirations sunk

without trace.
Since the signing of the Anglo-Irish Agreement more than four years ago, politics in Northern Ireland have been as firmly entrenched as ever; the positions of the Unionists, nationalists, British and Irish Governments seemingly irrec-oncilable. When Mr Brooke claimed in

January that there was "enough common ground" to make talks worthwhile, the cynical view was that he was simply putting the hall in the court of the local politicians - and leaving it to them to decide who would get the blame for blocking progress.

Now Mr Brooke says that he detects a political will to make progress. His proposals for starting talks has won backing from the Unionists, the mainly

Roman Catholic Social Demo-cratic and Labour Party, and the Irish Government. "We can state, with a certain degree of consensus, that prog-ress has been made" said Mr Gerry Collins, the Irish Minis ter for Foreign Affairs, after his meeting with Mr Brooke in Dublin this week. Yet Mr Brooke knows that even smid the continuing terrorist hostili-ties that blight Northern Ireland, it will require still more goodwill if the talks that could take place are to be suc-

A history of falled initiatives stretches behind him - from Mr William (now Lord) Whitelaw's power-sharing deal of 1973-74 to the "rolling devolution" of Mr James (now Lord) Prior. Mr Brooke's "textbook" approach has relied heavily on harm and discretion - and an almost mathematical approach by civil servants to resolving simultaneously the matrix of demands and preconditions set by each side.

Up for discussion in any talks would be three sets of relations – between the com-munities within Northern Ireland, relations between the North and the Irish Republic and relations between Dublin and London. Mr Brooke appears to have

convinced both pro-British Unionists and national-ists – and the Irish Government - that no side will lose by entering into discussions. For the Unionisis, Mr Brooks has had to appease vitriolic hatred of the Anglo-Irish Agreement which, they argue,



Peter Brooke: there is "enough common ground" for talks

gives the Irish Republic a med-diesome role in the Province's

He has persuaded Unionists to come out of their political laager by hinting about a new form of Angio-Irish Agreement and by agreeing to possible breaks in the meetings of the Anglo-Irish conference and a suspension in the workings of the Angio-Irish Secretariat at Maryfield, near Belfast. At the same time Mr Brooke seems also to have convinced

unionists that they must recognise that if a new agreement is to be discussed, not only the nationalists within Northern Ireland, but also Dublin, should be involved in the negoOne part of the albeit rather

rickety negotiating table therefore appeared to have been completed.

Next, Mr Brooke set out to persuade the SDLP that by talking about a new Angloirish Agreement he was in no way threatening hard-won nationalist gains. Not was he suggesting a return to the posi-tion before the 1985 Agree

Rather he was proposing talks which dealt with all dimensions of the Northern Ireland problem. Both the SDLP and the Irish Government have argued that such a broad ranging approach is essential to an eventual setessential to an eventual set-ment of Northern Ireland's The trick has been in reaching an agreement that will bring Dublin into talks at an

bring Dublin into talks at an appropriate moment - satisfying Ireland's wish to take an early part without provoking the Unionists.

The Irish Government has said that the present Anglo-Irish Agreement is not written in stone and could at some time be superseded by other presented.

arrangements.
Irish officials have been ful-some in their praise of Mr Brooke's crusade to come up with a formula that satisfies all parties. But they, like Mr Brooke, are being very careful not to disclose many details. Mr James Molyneaux and the Rev Ian Paisley, leaders of the Official Unionists and Dem-

ocratic Unionists respectively, declared themselves well sat-iafied with the results of their talks with Mr Brooke. Yet it remains unclear how committed they will be to see-

ing further progress - if only because of differences within the Unionist camp. the Unionist camp.

Mr Molyneaux is widely-regarded as a "integrationist" favouring stronger links with the mainland rather than devolution; Mr Paisley is a past opponent of "power-charing" with minority parties.

That leaves in Brooks with many more stones to cross

many more stones to cross before there can be talk of real political progress in the prov-

But, after years intransi-gence, there is at least a whiff of political flexibility and compromise in the air.

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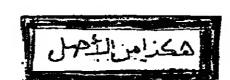
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### UK NEWS

### The said is held to be starts inquiry into TV production

SNESDAY MAY 30 1999

s sector

Carried Marie Control

Kieran Cooke

By Raymond Snoddy

THE OFFICE of Pair Trading has begun a preliminary inves-tigation into the independent television production sector in the UK.

A COLUMN TO SERVICE TO The main thrust of the inquiry is to see whether there is an imbalance in the contractual relationships between the broadcasters – the BBC, PTV companies and Channel 4 – and the independent produc-

The central concern is over copyright and the extent to which independents have to surrender their rights to faint explainted of a programme when they are commissioned by the big broad-

casters.

Let we at two leading conference in Laxembourg, Mr Jean Dondelinger, European Community Commissioner responsible, made it clear copyright was an area that had to be looked at.

Mr Alain Modot, head of the French independent producers association, said that until independents were able to

association, said that until independents were able to retain the copyright in their own programmes, and had a direct interest in exploiting them, it would be very difficult to create a single market for programmes in Europe.

The inquiry in Britain, scheduled to take three weeks, is designed to find out colcily whether there is a need for a full formal investigation.

The request for an inquiry has come from the Home Office and the Department of Trade and Industry and is partly a response to fears by independent producers that broadcasters are dragging their feet on the move to independent production.

their feet on the move to independent production.

The broadcasting bill now before Parliament specifies that independents gain access to 25 per cent of the UK's airwaves, excluding news and news-related current affairs.

In the case of the BBC, the OFT will have responsibility for monitoring the corporation's performance to see that as with ITV, the 25 per cent figure is reached by the end of 1992. Last year the BBC sought to extend this deadline to the end of 1994 but Downing Street refused.

## Trade office | Electricity generators told to hold £1bn coal stocks

THE GOVERNMENT has instructed National Power and PowerGen, the two electricity generators heading for privati-sation, to hold about £1bn worth of coal stocks as insur-

mos against a miners strike.

The instruction is contained in an unpublished directive by Mr John Wakeham, Energy Secretary, to the two compa-nies. It shows the concern which still exists in the Government about industrial action by the miners, despite the defeat of the miners' strike in 1984-85.

Mr Arthur Scargill, president of the National Union of Mineral Parkers, lost work excelled for

workers, last week called for industrial action to prevent another round of job losses amounced by British Coal.

Mr. Wakehum has used a little noticed section of the 1989 tle noticed section of the 1969
Electricity Act to instruct
National Power and PowerGen
jointly to hold not less than
27m tonnes of stocks at the
beginning of each winter and
not less than 22m tonnes at the
end of winter. This is equivaleat to about a third of the
total coal due to be delivered
by British Coal to the two generators this year.
National Power is understood to have been instructed
to hold 16m-18m tonnes, while
PowerGen has been ordered to
hold 11m-8m tonnes.
National Power and Power-

National Power and Power-Gen are understood to have told the Government that the

TWO state-owned overseas

electricity companies are com-peting to operate the proposed power station at Corby, one of the new wave of independent stations which the new elec-

tricity market is encouraging. Imatran Voima Oy (IVO), the

matran voims Cy (IVU), the Finnish electricity utility, and the Electricity Supply Board (ESB), its counterpart in the Republic of Ireland, are hidding to run the Corby station.

The winner of the contract will become the first owners nationalised utility to run a power station in Britain.

stocks, described by the Gov-ernment as "endurance" stocks, are much higher than they would choose to hold if they were free to exercise a commercial judgement. However, someone close to the discussions said: "The Gov-ernment has maintained a very

The generators fear that the directive could hinder them from buying cheaper foreign coal at the end of their present



John Wakeham three-year contract with Brit-

Mr Wakeham's instruction has also led to a figree argu-ment behind the scenes about how these stocks should be valued after the privatisation of the companies, scheduled for early next year.

East Midlands Sectricity and Hawker Siddeley, the two companies behind the Corby

companies behind the Corby project, turned to an overseas electricity utility because they did not want to run the power aution themselves. There are not many people in the UK who know how to run power stations," explained Mr Philip Champ, Bast Midlanda's direc-tor of corporate development.

tor of corporate development.
The only other source of

power station expertise in Britain is in the established generators, against whom Corby will be competing.

The Government wants the stocks to be valued in the companies' accounts at the British Coal price. This would value the stocks at about Ellen.

However, the generators are concerned that they would bave to make large write-offs of the value of the stocks if they opt to buy more coal from abroad in three years' time.

An alternative suggested by the generators is for the stocks to be valued at the world market price from the outset. This would cut the value of the stocks by about a third.

However, the Government is understood to have objected to this, because it would repre-sent a clear signal of the gener-ators' plans to boost coal imports. The Government also wants to keep to a minimum provisions on the generators' balance sheets when they are

The value of the coal stocks is also important to decisions still to be made about the generators' debt levels and capital structures. These decisions will in turn affect the total proceeds for the Exchequer from retrational control of the contr

The Department of Energy last night tried to play down the importance of the directive and of the decision not to publish it. It said the directive sim-ply carried over to the private sector arrangements which applied to the former Central Electricity Cenerating Board.

Mr Champ added that who-ever wins the operators con-tract will be asked to show

commitment to the project by taking up to about 10 per cent equity in Corby. "One way of giving them an added incentive to the success of the project is to include them in the equity,"

The idea of a contract to

operate a power station is a novel one in Britain. Mr Champ said that the intention

was to give a seven-year opera-tors' contract initially to either

he said.

## Finnish and Irish companies seek contract to run UK power station

frand but indicated that they were likely to be lower than

ATAT

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## Britain in Brief



### Consumers shun beef, report says

As Austria yesterday became the latest country to ban UK beef imports, a new survey reported British consumets shunning domestic beef supplies, over concerns that

supplies, over concerns that humans could become infected with bovine spongiform encubalopathy (BJE), a faint virus affecting cows' brains. The Seviet Union, Saudi Arabia, Australia, Finland, Israel, New Zealand, Sweden and the United States have all beined travers of live. all banned imports of live British cattle born before July 18 1988, with the EC hanning imports of British cattle more than six months old.

The survey, by the Nicken market research group, reported British consumer confidence in esting beef has been "severely shaken" over the past year.

### Fleming admits SFO inquiry

Robert Flaming, the merchant banking group, yesterday confirmed that the Serious Fraud Office is investigating

Fraud Office is investigating alleged irregularities discovered in its foreign enchange dealings last year. A spokesman for the group said that Robert Fleming had reported the Irregularities to the SFO a year ago and the investigation had been under way since them.

The group is taking legal action in the Swiss courts to recover funds from Mr Ken Ellis, its foreign exchange director until his dismissal in June less year, and Mr

in June last year, and Mr Kevin Mattimon, a former employee who left the group

two years ago.

Robert Fleming yesierday declined to comment on the sums involved in the alleged

the \$6m figure suggested in press reports. No clients of the group have been affected by the alleged fraud.

### Ulster police call for security

The Police Pederation for Northern Iraland, which represents around 12,000 officers up to the rank of chief inspector, yesterday called for more protection for front-line police officers in

the province. Mr Sam Beattle, Federation chairman, said officers who were not the subject of specific terrorist threats had difficulty in getting financial help for protective measures at their homes.

### Hurd calls for Mid East talks

Foreign Secretary Douglas
Hurd yesterday called for a
Palestinian-Israeli dialogue
and expressed fears the
situation in the occupied
territories could deteriorate
with Soviet Jewish
immigration, the Kuwait news
agency (KUNA) said.
It mosted Hurd as saving



Douglas Hurd: dialogue call the situation in the occupied West Bank and Gaza Strip was unjustifiable and unjustratais and "could be unsustainable and "could be unsde worse" by the influx of Soviet Jewish immigrants. "What is required is dialogue between the Palestinians and Israel." Mr Hurd said.

Hilton wins poll tax ruling Hilton Externational, the hotel chain, has successfully appealed against collecting its employees' community

charge at one of its largest
London hotels.
Hilton, which owns 33 hotels
in the UK, is believed to be
the first hotel group to
formally protest against what is an emerging trend of local authorities imposing collective community charges on hotels with live-in staff.

The community charge is intended as a tax on the individual, but local councils have the discretion to designate premises - such as hostels - for a collective charge where it is considered the residents are non-permanent.

### Study praises older scientists

The popular notion that mature scientists are less creative and less productive than their younger colleagues is untrue according to a study by European industrial research managers. But mature scientists may

seem to be more difficult to manage and less flexible, because they are differently motivated, the managers conclude. "Mature" is defined as between 45 and retirement as october of and retriement for the purpose of the study carried out by the European Industrial Research Management Association, club of about 170 science-based companies, with headquarters in Paris.

The study was carried out through a workshop under the chairmanship of Dr. D. Werthemann, head of physical chemistry with the dyes and chemicals division of Ciba-Gigy in Switzerland.

### Howard attacks Social Charter

Obligations imposed on companies by the European Community's planned Social Charter could damage efforts to reduce memployment, the Employment Secretary Michael Howard claimed today. He told the EC's Social Affairs Council in Brussels that some of the charter's measures would reduce

He said: "Theo are a He said: "There are a number of proposals which seem to me certain to add unnecessarily to employer costs; certain to reduce the efficiency and competitiveness our firms; and certain therefore to farmer the chances for unemployed people in the UK and in the

Community to find jobs." The first directives, on social security benefits, severance pay, and protection for part-time and temporary workers, are due to be published on June 6.

Mr Howard urged EC members to consider the effects on jobs of each proposal and to be "flexible" if efforts to cut unemployment were to succeed.

### Grampian gets £20m bus funds

Grampian Transport is poised to become one of the UK's largest privately owned bus companies. Aberdeen company said today it has secured a major £20 million funding facility to allow it to make "very significant new acquisitions."

The funding facility was arranged by Touche Ross Corporate Finance and is being provided by Bank of Boston who structured the deal and have also syndicated a portion of the funding to the Bank of Scotland.

### Brown warns of 'grim summer'

Industry faces a grim summer and autumn with job losses and bankruptcles, Labour's shadow Trade and Industry Secretary Gordon Brown warned yesterday.

Mr Brown said: The latest

CRI figures and survey foreshadow a grim summer



Gordon Brown: grim warning and autumn for industry with job losses and business bankruptcies already on the locrease because of Government economic incompetence and high interest rates for home-owners likely to remain for some

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### FT LAW REPORTS

## Digest of cases reported in the Easter Term

FROM MAY 1 TO MAY 11

Davis and another v Richards & Wallington Industries Ltd and others (FT, May 1)

A contributory pension scheme was set up in 1975 and terminated in 1982 when the company ran into trading difficul-ties and receivers were appointed. The trust deed was silent as to the destination of the surplus of an estimated £3m. The fund had been fed from employees' contributions, transfers from other pension schemes and employer's contri-butions, all made under contract. Holding that there was a resulting trust in favour of the employers, Mr Justice Scott stated that equity should treat the employers as entitled to claim surplus, or so much of it as was derived from overpayments. There was no express provision excluding a resulting trust, and no circumstances from which such an implica-tion could be drawn. On the other hand, circumstances pointed to the exclusion of resulting trust in favour of employees, who had contrib-uted in return for specific ben-efits, the value of which was different for each employee. Legislative requirements, too, placed a maximum on the financial return for each

Midland International Trade
Services Ltd and others v
Sudairy and others

House of Spring Gardens Ltd.
and others v
waite and others Sudairy and others (FT, May 2)

Under three contracts, two of which contained an English proper law clause, the plain-tiffs provided finance to a Saudi Arabian company and then proceeded in Saudi Arabia to enforce the defendant's liability on guarantees and promissory notes under those con-tracts. The plaintiffs' efforts to enforce the orders were unsuccessful and they served a writ on the defendant out of juris-diction under Order 11 rule 1(1). In refusing an application to discharge the writ, Mr Justice Hobiouse stated that although there was an irregularity in the plaintiff's supporting affidavit, the court was prepared to waive it. In Metall und Rohstoff [1989] 3 WLR 563,581 Lord Justice Slade said that the Order 11 procedure was designed to ensure that 1(1). In refusing an application was designed to ensure that court and defendant were fully apprised as to the nature of the legal claim and the documents in the present case satisfied those criteria. Moreover, the Riyadh judgment was unim-peached and must be recognised as a final decision of a court of competent jurisdiction giving rise to a judgment debt so that there was no reason why Order 14 judgment should

(FT, May 6) Mr Waite had induced the plaintiff inventor of a bullet proof vest to impart all the defendants on the strength of an oral agreement that there would be a joint venture to would be a joint venture to supply the vests to Libya for an equal share in the profits. In breach of the agreement, Mr Waite then signed a contract for 55m with the Libyan army and manufactured the vests in Ireland in secret. The plaintiffs laurched actions in the UK. launched actions in the UK and Ireland for damages for misuse of confidential informa-tion and breach of copyright and obtained judgment in Ireland for £3,474,570 plus interest. The defendants then launched an unsuccessful action that the judgment had been obtained by fraud. On appeal by one of the defendants, who had not been party to the litigation concerning the fraud, the Court of Appeal stated that in the present case all three defendants were joint tortfeasors and judgment against them was joint and against them was joint and several. Further, it was not in the interests of justice and public policy that the issue of fraud be litigated again once it had already been tried and determined.

Micklefield v SAC Technology Ltd. (FT, May 8)

The employee, Mr Micklefield, obtained an option to subscribe for shares in the group's parent company. Clause 4.3B provided that if the option holder ceased to be employed within the group for any reason whatsoever, then the option granted would lapse. Nine days after the plaintiff stated that he wished to exercise the option. wished to exercise the option, his employment was termi-nated and he was told that the share option ceased to be exer-cisable. Mr W J Mowbray QC, sitting as a deputy High Court Judge, stated that the question Judge, stated that the question was whether on the true construction of the contract of employment and the share option scheme, he was entitled to recover damages for loss of his option where, for the purposes of the preliminary issue only, it was assumed that he had been wrongfully dismissed in heach of contract. In the in breach of contract. In the option scheme paragraph 4.38 referred to the atmin or relationship, not to the contract. Mr Micklefield had ceased to be employed when he was wrongfully dismissed within the terms of that paragraph even if some other aspect of his contract might have continued

Medway Packaging Ltd v Meurer Maschinen

Meurer, a West German engineering firm, agreed to appoint Medway as exclusive UK dis-tributor of its drink and stretch-wrapping machines but Medway alleged that Meurer appointed another company as UK distributor. In claiming damages for breach of con-tract, Medway contended that the place of performance of the the place of performance of the obligation was in the UK under article 5 of the Civil Jurisdiction Convention. The present appeal was from a decision of Mr Justice Hobbouse, who refused to set aside service of writ on Meurer in West Germany. In dismissing the appeal, the Court of Appeal induction that the court was dealing with a regulation which consisted in (a) failure to give reasonable notice of determination and (b) appointment of tion and (b) appointment of another UK distributor. Unless there was some provision to the contrary, a requirement to give notice to an English com-pany carrying on its business in England had to be inter-preted as an obligation to give notice at the company's place of business in England, and that could be regarded as the principal obligation in the

Indian Oil Corporation Ltd v Coastal (Bermuda) Ltd

(FT, May 11) In an award, the arbitrators found against the sellers who applied for an order remitting the award pursuant to the court's power under section 22(1) of the Arbitration Act 1950. The arbitrators' reasons had stated that the sellers' defence could have been formulated in a less restricted way as there were findings of fact which the widence tended fact which the evidence tended to support but were not ampli-fied. Mr. Justice Evans stared that if the evidence before the arbitrators disclosed facts which established a defence to the claim, but they failed to take account of that defence because the legal issues were not correctly formulated in the sellers' pleadings, there had been an injustice to the sellers which could be remedied by which could be remedied by remitting the award under sec-tion 22. Justice had to be applied in the present context between two parties who had agreed their dispute should be resolved by arbitration and that the award should be final but the power to remit could and should be exercised when there was otherwise the likelihood of a substantial minear

Aviva Gölden

### CONTRACTS

## North Sea oil plans

NHH EROWN, the Trafalgar House engineering division, has won a comment (believed to be worth in the region of £25m) be worth in the region of £25m) for a 100MW power energing plant for Occidental's North Sea Piper Field redevelopment project. The power plant will be based on four heavy-duty industrial turbines.

Since 1975 John Brown has supplied 20 heavy-duty industrial gas turbines for the generation of more than 484MW of power for North Sea projects.

The turbines are designed to operate on associated gas

operate on associated gas which is less expensive than liquid fuels, providing energy savings. Further savings will be made by the recovery of heat from the turbine's exhaust which, when passed through heat exchangers, will provide heat for on-platform

BP Exploration has awarded a contract, worth about £20m, to BROWN & ROOT for the detailed design and procurement work on BP's Kinnell terminal term

minal expansion project.

The Kinnell project forms the major part of BP Exploration's \$310m expansion of the Forties onshore pipeline sys-

The contract, for detailed design, procurement and construction support, is for a three-year period and work starts immediately. Construcstarts immediately. Construc-tion contracts are scheduled to be awarded early in 1991.

The project staff in Glasgow will total about 300, peaking in the first quarter of 1991. Proj-ect numbers will include the B&R design team, support staff and a BP project management team, based in Glasgow.

The Kinnell terminal project is designed to increase BP Exploration's canacity to trans-

Exploration's capacity to trans-

Exploration's capacity to transport and process North Sea of and gas liquids through BP's Forties pipeline system.

The Kinneil project is part of a major expansion which involves BP Exploration's off and gas handling facility at Kinneil, together with BP Chemicals' ethylene manufacturing plant at adjacent Grangemouth. The two projects represent the biggest ever onshore investment by BP in Scotland.

Construction work at Kinneil will start in January 1991 and be completed by the third quarter of 1998.

The Kinneil terminal expan-

quarter of 1998.

The Kinnell terminal expension follows a decision amounced by HP Exploration in June 1989 to replace the existing Forties offshore pipeline this year with a new \$152m legislar dismeter shallow. £162m larger diameter pipelins, increasing the capacity of the Forties system from 630,000 barrels of oil a day to 900,000.

C H INDUSTRIALS has won a contract; worth £54m, from London Underground. C H Industrials' subsidiary, Tickford, has been contracted to over a four and half year period. The refurbishment of these trains on the Victoria, Bakerloo and Northern lines has been commissioned by London Underground to meet the highly specified fire safety and resistence standards now required and Tickford is also ensuring that improved passenger comfort and convenience is incorporated. The contract is the largest placed by London Underground to te as part of its refurbish-

\* \* \* \*

As part of its \$25m investment programme at the Rover Group's principal press shop at Swindon, the company has been involved in negotiations heen involved in negotiations with Clearing Burope, European subsidiary of HITACHI ZOSEN. The Rover Group is to purchase a 5000-ton transfer press from Hitachi Zosen in an order worth almost £15m. The press, to be operative mid-1991, will be making panels for the Rover 200 series.

\* \* \* \*

The aviation engineering division of BBA GROUP has been awarded a US\$17m (£10m) contract to install collision avoidance and windshear systems in Continental Airlines' fleet of over 300 aircraft. The order was won by US subsidiary Page Avjet Corporation and is due to commence shortly with completion in 1993.

### Navigation system

VSEL CONSORTIUM has won a contract worth almost 2500,000 to supply the Royal Navy with a navigation data distribution system for surface warships. The system will ini-tially be fitted to the Invincible class singrefic carriers and Tyne class aircraft carriers and Type 42 destroyers. Topexpress, Cambridge-based subsidiary of VSEL Consortium, has a \$200,090 order from the Ministry of Defence for a study on the application of active noise control to naval vessels.

\* \* \* Company, has won heavy engineering contracts totalling £1m from Kvaerner Boving, Largest is for making four radial spill-way gates to be installed on the Claw Dain on Zimbabwe's Umsweee River.

The Tanzanian Railway Corp has chosen DAVIES AND MET-CALFE automotive air brake equipment for a batch of 30 container wagons, to be deliv-ered in September.

STONE INTERNATIONAL'S UK operation has secured an order worth over £5m from: order worth over £5m from BREL for the supply of heating and ventilation equipment for the rolling stock for the London Underground's Central Line. The equipment for the 680 passenger cars and 191 cabs was engineered at Stone UK's new facility in Dartford. The

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The collapse in world crude oil prices in the middle of 1986 had catastrophic effects on North Sea exploration and development programmes. In all national sectors of the North Sea, exploration plans were severely curtailed and development projects were either cancelled or postponed.

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Dr Harold Hughes, OBE, Director-General of the UK Offshore Operators Association and John E d'Ancona, Director General of the Offshore Supplies Office will chair the conference which features papers by David Harding, OBE, Chief Executive Europe, BP Exploration; Jack Gregory, Director and General Manager - Exploration and Production, British Gas plc; Robert E McKee, Chairman & Managing Director, Conoco (UK) Limited and Ed Blair, President, Hamilton Brothers Oil and Gas Limited. Prospects in the Danish, Norwegian and Netherlands offshore sectors will be reviewed by Dr Hans Jorgen Rasunssen, Dansk Ofic og Naturgas; Tone Skogen, Norwegian Royal Ministry of Petroleum and Energy and Stans Dessens, Ministry of Economic Affairs, the Netherlands.

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s North American and British banks rushed during the 1980s to stake their place in the securities business, warnings abounded that these traditionally cautious and bureaucratic institutions would have to keep their distance if they wanted to preserve the entrepreneurial flair of their new brokerage units.

Such concerns were taken to heart by most of the Canadian banks which bought control of securities firms after the "Little Bang" of June 1987 lifted curbs on outside ownership of brokerages. To this day, Royal Bank of Canada, Bank of Nova Scotia and Bank of Mostrand constally limit con-Bank of Montreal carefully limit con-tacts with their new securities arms.

"We believe there are some differ-ences between the two kinds of business," says Paul Taylor, executive vice-president at Royal Bank of Canada, which bought a 75 per cent stake in RBC Dominion Securities, the country's biggest investment dealer.

country's biggest investment dealer. There have been few staff exchanges, little meshing of overlapping operations and only the broadest management supervision by the banks. Many senior people in the brokerage firms want to keep it that way. Things are very different at Canadian Imperial Bank of Commerce and Wood Gundy. Since Canada's second biggest bank paid C\$190m in June 1988 for a 62 per cent stake in Wood Gundy, much of the effort of both bank and brokerage firm has been directed towards meshing their resources.

resources.
The closeness of the marriage became evident at the end of March when the entire staff of Wood Gundy and CIBC's investment banking unit moved into the same new building in Toronto. CIBC's foreign exchange and money market traders now sit in the same room as Wood Gundy's fixed

same room as Wood Gundy's fixed income and swaps dealers.
The philosophy is also vividly reflected in personnel exchanges. No one was especially surprised when CIBC installed one of its senior executives as Gundy's president shortly after the takeover. But two of the other three divisions in CIBC's investment bank are now headed by former ment bank are now headed by former Gundy executives. The bank is put-ting another Gundy man in charge of both groups' back-office operations in London.

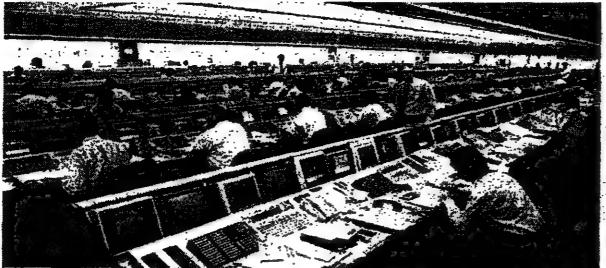
"Our biggest challenge is not to see how we can co-exist with the bank," says Edmund King, a 33-year Gundy says gamina king, a 33-year Gundy veteran and the firm's chairman and chief executive officer. "That's not even an issue today. Their culture hasn't overwhelmed us or turned us into computer punch-cards." Another Gundy man can't resist a bit of one-upmanship. "I think the investment bank is being run by Wood Gundy." he says.

Gundy," he says.

Although CIBC insists that it would not have done things differently, the decision to take an active hand in the management and future of Wood Gundy was partly forced on the bank. With capital of C\$250m, Gundy is one of Canada's biggest and oldest Canadian banking

## The security that comes from a close marriage

Bernard Simon on the unusual direction of the CIBC/Wood Gundy takeover



securities firms, and a pillar of the Toronto establishment. But the firm was in deep trouble in early 1988. Its capital base was strained by a C340m loss in October 1987 as the lead Canadian underwriter of the British Petroleum share issue leum share issue.

Morale was also sapped by two abortive attempts to find a strong equity partner, including a deal with First National Bank of Chicago which was called off after the BP fiasco. Some of Gundy's most productive retail salespeople had defected to another firm. Management was weak as the then chief executive neared

"What I found was that there wasn't a very high premium on managing the business," says John Himkin, the CIBC executive who became Gundy's president in July 1988. "The nature of the business is that those who generate revenue are the kings." Most of the shots were called by the corporate finance department, often neglecting the more marketing-oriented retail group.

The challenge for the bank has been to bring Gundy under its wing without smothering it, dovetsiling the securities firm into the bank while avoiding the appearance of wholesale

avoiding the appearance of wholesale integration. The man who oversaw the deal, CIBC Investment Bank president, Paul Cantor, says that the bank tried to avoid imposing what he calls "a range of macho ego changes."
From the outset, the bank insisted equity should remain in the hands of its employees, even though some of them initially urged it to buy a 100

per cent stake.

CRC allowed Gundy, despite the rough shape it was in, to keep its name, logo and corporate colours intact. A key element in the bank's strategy was to work through Gundy scattery was to work through Gamey section by section, rather than trying to impose anything on the firm as a whole. "As long as you keep approaching issues on a segmented basis in terms of profitability and explanated statement and applicable applicable and applicable app enhanced customer service, it's remarkable how much you can

achieve," Cantor says.

The bank and the securities firm gave top priority to eliminating the overlap between their businesses. Every business common to the two was examined from the point of view was ejamined from the point of view of its depth of organisation, its support systems, and its place in the two companies overall strategy.

Choices were then made. For instance, Gundy shifted its unprofitable money market operations to CIBC and the profits of the control of

bis money market operations to CIBC as it became clear that the bank's extensive retail network would play an increasingly important part in distribution of money market products.

On the other hand, CIBC folded its Eurobond and much of its other London-based investment banking business into the securities firm; its London office has long been one of its. don office has long been one of its

Although Gundy had a smaller awaps operation than the benk, the key role swaps play in Euromarket underwriting at well as the strength of Gundy's marketing beam, justified putting the antire swaps department in the hands of the securities firm. Two joint ventures have been formed, one for commercial paper activities, the other a merchant bank named CBC Wood Gundy Capital.

The merchant bank is headed by Richard Venn, who is both a Gundy vice-chairman and an executive vice-president of the benk. Venn carries both Gundy and CBC business cards, depending on whether, as he puts it, "the client wants the money but not the advice, or vice versa,"

Himkin has put in place at Wood Gundy some of the management systems that other companies take for granted. "There was very little information to tell you which businesses were profitable, and which weren't," he recalls. "We went through the whole firm and broke it down into a full-cost allocation process for all business lines." full-cost allocation process for all

Three key executives at the time of the takeover — the chairman, president and chief financial officer — are no longer with Gundy. The unbans admired King, 56, remains chief emo-utive and the firm's chief spokesman; but, Hunkin, 44, the more forceful man from CIBC, is clearly the driving

Among the methods used to encour-

Among the methods used to encourage broker and bank manager to work together has been a series of "recognition lunches" at which senior management presents awards to those most active in working together.

As an experiment, a Gundy broker in the western Ontario steelmaking centre of Sault Ste Maris has moved into the local CIBC branch. With almost all the new structures in place, the focus has now shifted to making the widest possible use of each other's products.

products.
According to Cantor: "We saw the According to Cantor: "We saw the financial marketplace as a spectrum, but we see ourselves in banking as being able to offer only a part of that spectrum." As he sees it, the Gundy acquisition has given CIBC access to another part. CIBC has started selling Wood Gundy's stable of Hyperion mutual funds, while the securities firm's brokers solicit retail deposits for the bank.

firm's brokers solicit retail deposits for the bank.

In expanding its business, Gundy is concentrating on the upper end of the corporate market and the upper end of the corporate market and the uppearket retail investor. The retail arm has been considerably expanded by the acquisition in February of Merrill Lynch Canada's retail business. The takeover has almost doubled Gundy's salesforce to 650 people, bringing it roughly on a par with RBC Dominion Securities, the Royal Bank subsidiary which is the biggest in the country.

Merrill's Cash Management Account, which combines deposit, Merrill's Cash Management Account, which combines deposit, withdrawal and securities trading facilities, illustrates how bank and securities firm can feed off one snother. Account-holders are being issued with CIBC cheque books and CIBC Visa credit cards. Trading orders are routed through Wood

Gundy and the bank are now looking for ways to expand these joint endeavours. Gundy's strategic plan for 1990 is the first to be drawn up as a joint effort among the four divisions of the investment bank. CIBC is confi-

a joint emort among the nour drivancies of the investment bank. CiBC is confident that its strategy of giving its securities arm the closest possible embrace is one that will be emulated by most other banks, both in Canada and elsewhere.

Royal Bank's Taylor resorts that his bank had no need to go through the same exercise at Dominion Securities as CiBC did at Gundy. "We probably bought one of the two or three best managed investment dealers in North America," he says. "They fired so many people. We didn't."

None the less, Royal and DS are also increasingly working together, with nine joint experiments now under way to refer retail business to one another. While stressing the differences between bank and brokerses firm, Taylor acknowledges: "I think these relationships will get closer."

# has tried to bring Gundy's retail sales force into closer contact with its extensive branch network, with the aim of each group referring as much business as possible to the other. Every Gundy broker has been allocated to one of CIBC's 1,500 branches. Among the methods need to answer. Ry David Goodbart.

By David Goodhart

If you speak a bit of German, know something about privatisation, or fancy yourself as a non-executive director, you may be able to help in the restructuring of the East German economy. The Trenhandanstalt, the trust body which currently owns East German industry and is in charge of privatising it, wants expert advisers, German and non-German, with privatisation experience, and is also seeking 16,000 non-executive directors.

directors.

Plenty of foreign companies (although, alas, no British) have already beaten a track to the trust's front door at 40-60 Unter Den Linden in East Berlin to seek corporate bargains, and several international banks have also offered their banks have also offered their services. That is most welcome to Wolfram Krause, deputy head of the trust, who says: "We want to show that we are open to the world and not just to West Germany."

to West Germany."

Immediate support for the trust's 85 East German lawyers, statisticians and economists is, however, coming from the Finance Ministry in Bonn, the HW reconstruction bunk in Frankfurt, and from an assurtment of West German consultants. But that should not put off foreigners — even the Bonn Finance Ministry has suggested that privatisation advice from abroad would be welcome when companies are

welcome when companies are ready for flotation.

Krause has also announced that the trust wants to inject market economy competence into East Germany through into East Germany through recruiting 16,000 non-executive directors, "a number which West Germany alone is unlikely to be able to provide."

Most East German companies are in the process of building supervisory boards and exacutive boards on the West German model and before privatisation, each company's vatisation, each company's owner, the trust, will claim more than half the supervisory

board seats.
We need thousands of peo-"We need thousands of peo-ple, with the right expertise, to represent us on the hoards. We will pay, of course; indeed we are thinking of working out payment linked to the compa-nies' returns," says Krause, Applicants should, however, with fire law weeks. The trust is on the point of being com-

pletely restructured. It has been criticised for housing too many old communists — Krause himself was deputy head of the East German planning commission from 1974-79 — and for dragging its feet on privatisation.

Krause passionately denies the latter accusation and stresses that about 75 per cent

stresses that about 75 per cent of all 8,000 state companies will either be floated or sold directly to other companies in the next few years. But he also stresses that panic sales are not sensible either from the point of view of preserving jobs and manufacturing capacity in East Germany or maximising

sale prices.

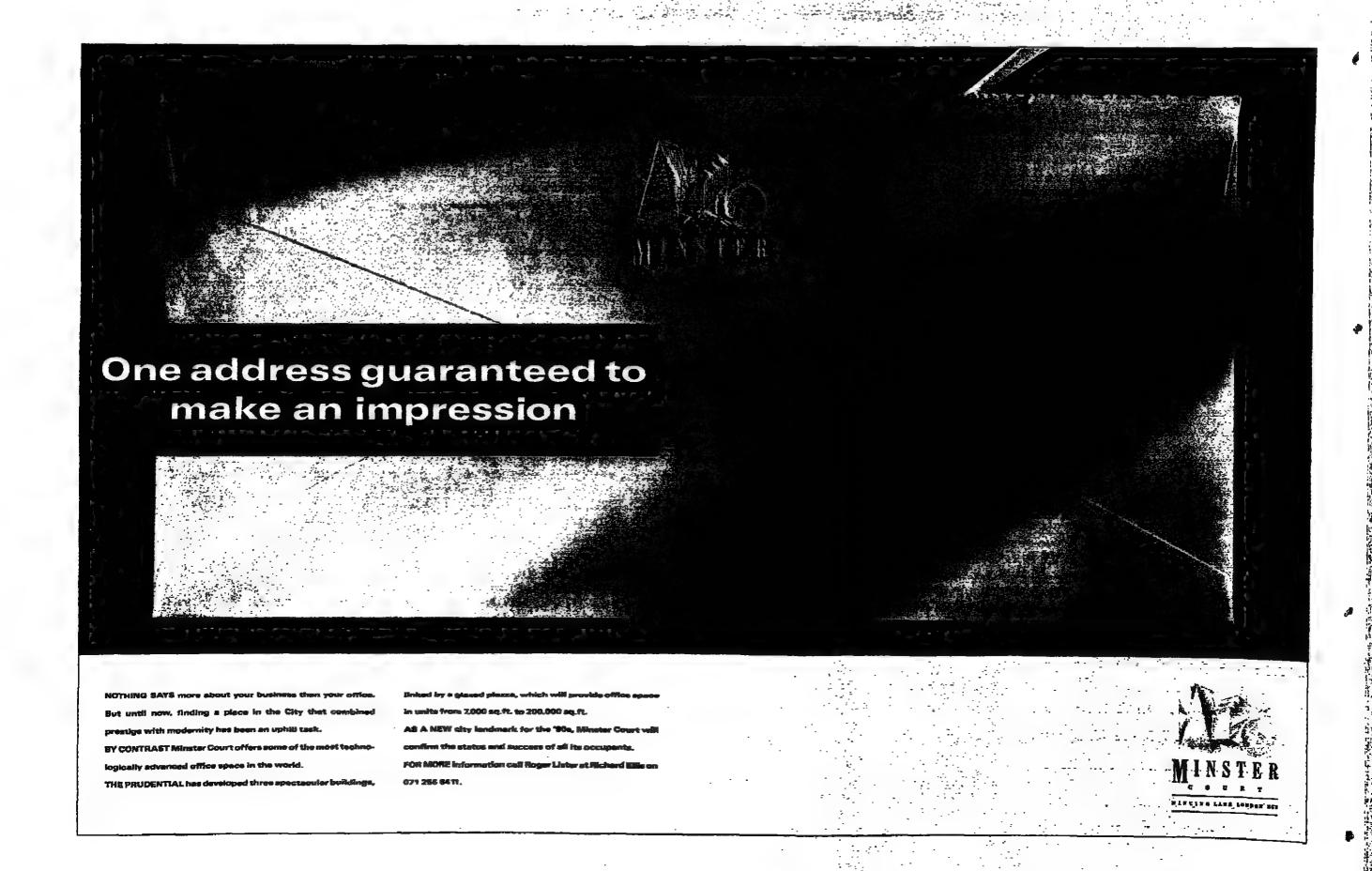
He points to a model agreement in which the West German brake manufacturer, Knorr-Bremse, took a majority stake in the Berliner Bremsenwerk of East Berlin. Krause alches that we stay a great by claims that pressure exerted by the trust has forced Knorr to create no redundancies and to inject DM1im of its own capital, compared with DM6m from Berliner itself, into a balance sheet now valued at DM70m. For less fortunate East Ger-

man companies with immediate liquidity problems and the ate liquidity problems and the need to re-equip to take on western competition, Krause proposes that the trust should borrow heavily — up to DM50bn over the next two years, Security for such borrowing would be East Germany's corporate assets valued at DM300bn (without land) or the country's land assets.

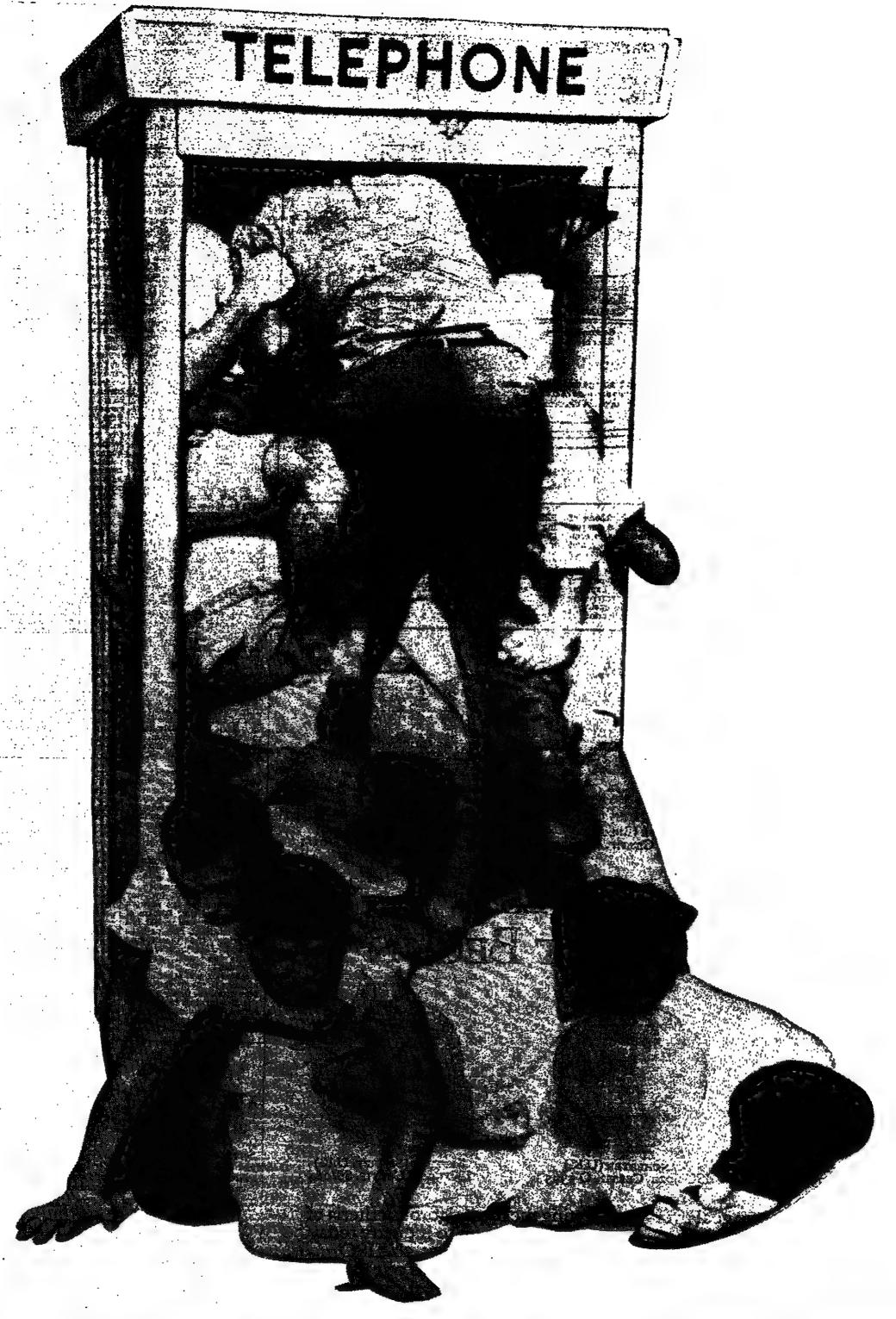
The Bonn Finance Ministry dismisses such ideas and says the trust must stick to the bor-

the trust must stick to the bur-rowing limit laid down in the Bonn-East Berlin state treaty of DM7hn this year and DMI0hm next. However, the Ministry does concede that East German companies face a severe liquidity problem.

Boun proposes a new bank-routry law to prolong survival and says the trust should sell companies their own land to improve their credit-worthiimprove their credit-worth-ness and attractiveness to potential buyers. Finance Min-istry officials are also more optimistic than is Krause about quick returns from pri-vatisation. They believe that about DMSbn can be realised within the next 12 months, mainly from the sale of land and properties such as hotels.



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### TECHNOLOGY

"IN HONG KONG they are serious about betting," laughs Moshe Levin, marketing chief of the Israeli-US company

Although not a betting man himself, Levin knows what he is talking about when it comes to gambling in the British col-ony. For Fibronics is busy installing a big new systems network for the Hong Kong Jockey Club that not only promises to make backing the horses more efficient for punter and bookie alike, but is also an important showcase for the company's pioneering com-puter networks based on fibre

Fibronics - headquartered in Massachusetts, quoted on New York's over-the-counter market, but with its core research and development and manufacturing activities based just outside Haifa in Israel is a leading proponent of what is set to become a new standard in computer networking. The standard, in the latter stages of being defined, is designed to exploit fibre optic technology to meet a growing demand for much faster, more reliable interlinking of computers over much larger distances

than previously possible.

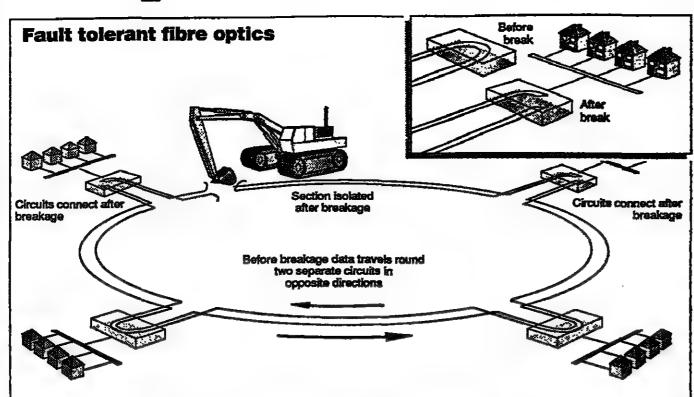
The new standard is called FDDI, for fibre distributed data interface. At present Fibronics, a company employing around 450 people worldwide, claims no less than 90 per cent of a total market for FDDI which is projected to grow to \$1.3bn over the next four years. Fibronics' contract with the

Hong Kong Jockey Club illustrates nicely what FDDI can do for the user.

The Jockey Club runs Hong Kong's big racing business. It has built up a complex system to handle both on course betting at its two racecourses -each has its own computer and there is a third back-up com-

puter - and off-course betting at 150 outlets in the colony. at 150 outlets in the colony.
"It is a \$7bn organisation—
the biggest digital installation
in Asia," says Levin. "Previously they were using hundreds of telephone lines. They
had real reliability problems Hugh Carnegy visits an Israeli company which is helping to set industry standards for computer networking

## Horses for fibre optic racecourses



frequently jammed in peak periods just before races. And

it was very expensive."

Fibronics has already installed an FDDI system for the Jockey Club, linking the two racecourses and the back-up facility. It is now working on tying in the off-course betting shore to corrections. course betting shops to com-plets the network, all based on

the fibre optic backbone of FDDI to allow all the comput-ers and workstations to communicate more quickly and without threat of jams or

"They can keep on betting much closer to race time using the new system," explains Levin, with his marketing man's eye for the customer benefit. The application of

ing the odds at the races. Fibronics alone has completed more than 100 installations around the world, ranging from Inria, a French Govern-ment research centre near Paris, to Martin Marietts, an aerospace company in Orlando,

Its proponents describe it as the networking system for the

1990s, extending significantly the performance and capabil-ties of computer-to-computer communication. To date, the principal standards for so-called local area networks, or LANs, were Ethernet and

Token Ring.
What they sought to overcome was the fast-expanding need for connecting large num-bers of personal computers and



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## associated machines such as printers to enable them to talk to each other. This arises typically within a single organisation — commercial or otherwise — but might involve quits large physical distances, as in the case of the Hong Kong Jockey Club. Ethernet and Token Ring were designed to tackle this problem using standard cabling. Partly because of this, they are limited in the distance they can span to 2.5km. FDDI, by contrast, sets a standard of 100km because of the much less restrictive characteristics Saving Athens' marble treasures

Kerin Hope describes efforts to restore the Acropolis monuments

Seen from a distance through the known polit-tion haze that covers Athens in still weather, the silhonettes of the fifth-century BC temples on the Acropolis look the same as ever. But close up, the first results of a restoration project which started in the late 1970s and is likely to continue into the 21st century are clearly visible.

monuments survived the rav-ages of time and earthquakes

rested and expanded, cracking the surrounding marble. At

the surrounding marble. At the same time, the delicate curved marble surfaces of the statusty on the temples were being rapidly exists away by sir pollution.

"Increasing industrialisa-tion around athese from the 1869s societated the rate of deterioration; sulphur dioxide and nitrogen oxide in the

and nitrogen oxide in the

off after reaching a thickness of more than 15mm, leaving a blank surface behind.

The restorers' first task was to take down the remaining

sculptures from the Parthe-

non, cover the section of its frieze that Lord Elgin left behind and remove the Caryai-ids. They are now displayed in

Now.

Similarly, FDDI is much faster than its predecessors, operating at 100 megabytes per second, compared with 10 megabytes per second for Ethernet and four megabytes per second for Token Ring. FDDI Work on the Erechtheion, an architectural melange of several different periods that includes the famous Caryatid porch supported by six statues of robust young woman in also has much greater connec tive capacity. A further asset of FDDI is its enhanced reliability, based on of roots: young women in classical draperies, is complete. New white marble fills the gaps in the exterior walls. The Caryatids have been replaced with cement copies, one of them modelled on the relatively undamaged figure in the British Museum. its ability to overcome a break in the fibre optic links. Put at its simplest, an FDDI network resembles two concentric rings round which data flows in

round which data flows in opposite directions. Workstations can be plugged in at any point and thus be linked with each other. If a break occurs in the dual ring anywhere, the system automatically "wraps" across from one ring to another at either side of the break paint allowing data to Inside the Parthenon, the crowning glory of the classical city, sits a specially designed crane which can lift blocks of Pentelic markle weighing up to 12 tonnes. Restoration of break point, allowing data to continue to flow, albeit with a delay because it has further to travel. the Propylaia, the monum tal gateway to the hilltop, is to start later this year. Structurally, the Acropolis

Aside from speed, range and reliability, FDDI also copes with the difficult problem of remarkably well, despite a disastrous fire in the Parthenon in the Early Christian period and an explosion in 1687 when it was being used by the Turks as a munition stone during a Venetian stone. "interoperability" — in other words how to enable machines made by different manufacturers to communicate with each other. Solutions are also being found to the problem of estabby the Turks as a munitions store during a Venetian siege. The problems started with the early restorers, who used steel rods and clamps who used steel rods and clamps blocks. Between 1900 and 1935, the Erechthelon was rebuilt on a new steel skeleton surrounded by concrete. The ancient Greeks also used primitive steel clamps and dowels but took the precaution of encasing them in lead to prevent corrosion, something their successors neglected to do. By the early 1970s the steel had rusted and expanded, cracking lishing communication between different networks, to link, for example, Ethernet and

less restrictive characteristics of fibre optical cabling on data

Token Ring networks over bridges to an FDDI network. A committee of the Institute of Electrical and Electronics Engineers has been working for some five years to complete the definition of an FDDI stan-

Fibronics, established more than a decade ago by its israeli parent, Elron, committed itself to the emerging standard in 1986. Since then it has devoted 20 engineers and spent \$3m on developing FDDI systems, a large investment for a company which had a turnover last year of \$49m. From the beginning it has been closely linked to the FDDI committee through Donovan Mierop. through Donovan Microp, Fibronics R&D director, who is a committee member.

The investment appears to be paying off. Fibronics posted a near threefold increase in profits in 1969, earning \$2.5m. Levin intends that it continue to hold a significant chunk of an FDDI market growing fast on the back of expanding demand for ever-more sophisti-

One of its current contracts at the Athens Polybernak.
In areas where rain falled to
penetrate, but humidity
remained high, a soft gypeum
layer replaced the maride surfaces. The gypeum accurately
preserved the details of a
sculpture, although they had
disappeared from the stone
beneath. But the layers flaked
off after reaching a thickness. is in Italy where it has installed a prototype network for the Autostrada company to operate automated highway tolls. Eventually the network could extend over 5,000km of road, encompassing 300 toll booth stations and perhaps covering the monitoring through video links of speed limits as well as toll

operations.
Fibronics, and other comparies like it, are convinced that fibre optics are firmly set to be the networking tool of the future, improving computer management of everything from betting to traffic fines.

the Acropolis museum in a case filled with nitrogen. The temples were scanned with gamma rays to locate the modern clamps, which Skoull-kides suggested could be replaced with non-corrective titudes. titanium. Titanium is six times as resistant to corrector as stainless steel and has the advantage that its thermal expansion coefficient is much closer to that of marble."

About five tonnes of come mercial titanium, which is now widely used in place of steel in the Japanese construc-tion industry, has gone into the Acropolis restorations over the past decade, at a cost of Driom (\$625,800). Titanium rods, anchor plates, clamps and screws were used to replace the Erechtheion skele-ton and reinforce its markle beams. The metal also served to join broken blocks, either to the original fragment or to freshly cut marble from quar-ries on Mount Pentell north of

ries on Mount Pentell north of Athens, close to those worked by the original builders. "We've started to do the same on the Parthenon. The crane brings down each block for treatment and steel rods are changed for titanium. But the titanium is not allowed to treach the markle — there's a

the titumium is not allowed to touch the marble — there's a buffer layer of Portland coment," says Costas Zambas, the senior civil engineer on the Acropolis.

The Greek restorers' success with titumium has encouraged Italian conservators to try out the metal in projects in Rome and Passtum, he says.

Skoulikides went on to study the sulphation process which turns marble into grpsum, with a view to establishing whether it could be stabilised or even reversed. Using earloan diexide under pressure at high temperatures, it at high temperatures, it proved possible to consolidate the gypsum by turning it into calcium carbonate, the main mineral in maribe. Even then

the stone was much softer than the original marble. "Now we've developed the process to the point where we process to the point where we can spray gypsum in situ with a solution of petassium carbonate. By varying the temperature and concentration it's possible to come up with calcium carbonate that's only 30 per cent softer than marble," says Skoulikides.

Since subhistion is a precess shullar to metal corrosion, Skoulikides started experimenting with the impredients of anti-corrosive paints for ships and bridges and with other substances in order to develop a protective coating for ancient statues.

and nitrogen oxide in the atmosphere combined with rain to form sulphuric and nitric acid which dissolved the marble, starting with sculptures in high relief, says Prof. Theodoxy Shoulikide, a complete the physical chemistry department at the Athens Polytochnic.

minima oxide, iron oxide and titunium oxide which prevents it from cracking and also matches the colour of the weathered Acropolis monu-

cantion: such a coating neusi be tried out on some of the not-so-valuable statues in the squares of Athens for a num-ber of years before we can think of using it on ancient

## 'I can't believe it!'

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**TELEVISION** 

reasures Finally squared up with the right technology

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readers may remember that after the men from Granada (major partners in British Satellite B. darking BSB) had fitted the Dunkley household with a which picks up BSB's satellite signals — facing south-west and consequently on the opposite side of the roof from the Astra disk which points out the ast pictures were still coming from the old terrestrial channels (BBC1 and 2, ITV and Channels (BBC1 and 2, ITV and Channels via the next best from Rupert Murdoch's Sky channels via the Astra satellite even though it uses the old PAL technology, and the Itast satisfactory from BSB. All that was reported in the Financial Times (part of the Fearson group, another of BSB's chief investors) four weeks ago. Now read on.

The result of that column was, it seems, consternation at Granada: BSB. and the The result of that column was, it seems, constarnation at Granada; BSB, and the engineering department of the Independent Broadcasting Authority where "DMAC" was developed. D-MAC is the technology used by BSB to transmit signals from its high-power satellite direct to the homes of those with the necessary receiving equipment. THE PROPERTY OF necessary receiving equipment it is supposed to be the bee's knees, and the vehicle bringing in the next generation of in-home entertainment: high The second secon Sa sa. A.Ces West By The state of the s The state of the s TO SEE STATE OF THE PARTY OF TH T. SE MENTION The profit to make A CHEST WIND 

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in-home entertainment: high definition pictures and shoebox: shaped wide screens. As in the early days of LP records and video recorders, incompatible techniques are being developed (the Americans and the Japanese have different systems, and there is even disagreement among the Europeans) so a lot hangs upon D-MAC's success.

No doubt it was this, and—thanks to the lack of BSB where is the fact 42 28 7 22 22 . R Rå tå Çatefall 1. La ant 1. 20 per 120 ALC: NO PRESENTE 1 April 2 2 2025 bright. It william ber Schnittke's 2nd Cello Concerto P 1 . 17 222 2500 December 1 アベルン は 京型 コ 開始 - A A TOTAL TANK ON The Control Age (72) State per in the country P. A. C. F. Etc., Consider, The same of the sa

EVIAN

Evian, a doay little resort best resched by paddle steamer across. Lake Geneva from Lausanie, seems an anilitely place to hear a Schnittka world première. But the Rencontres known in the West in recent sounds late Romantie in years, the new concerto is that can count on an animal visit from Matislay. Rostropovich, after whom the Rostropovich, after whom the concert, hall of the Evian Casino has now been re-named. This year's closing event, attended by Schmittke himself, was devoted to in Memorians (the orchestral version of the Piano Quintet). And the first performance of the Second. Cello Concerto, which was written for Rostropovich. written for Rostropovich. Like the first concerto, the new work lasts about 40

minutes. It has three identifiable movements (with a single break after the first) and keeps the soloist feverishly active throughout. It calls for huge stamina, as well as making the most taxing technical and expressive demands. It is a virtuoso work in the best sense, with a natural power and unpredictability that grip the

Rostropovich, accompanied

Christopher Dunkley banishes flare and fuzziness from BSB B: The Saga broadcasters, rather than the tremendous importance of the readers may remember that after that after sent anxious letters flying at tremendous importance of the FT's television column, which sent anxious letters flying at all levels up to managing director. director. The consensus was that my "old fashioned" television without a Peritel or SCART socket (an otherwise scart socket (an otherwise excellent Panasonic bought 4-plus years ago for 2395) was just not capable of dealing with all the traffic now being put through it, from the terrestrial networks, the two satellite systems, and two video recorders, without the signals "leaking" into one another.

Too often we were

Too often we were experiencing beat – rolling diagonal lines – when, for instance, we tried to watch Sky News and record the BSB Galaxy channel

Rews and record the BSE Galaxy channel.

It was proposed that for a month we should borrow a state-of-the-art set from Granada, equipped with SCART socket and stereo sound, to see whether that solved our problems (and, hinted the unstated sub-text, left us more suitably impressed with BSE's technology). It turned out to be one of those matte black jobs which appear to be only about two inches deep, until you peek round the back and find the familiar old protuberances, and it had an "FST," a flatter squarer tube, giving you a picture more like the old "golden section" cinema acreen than the cinema screen than the round-cornered post card of the

definition pictures and shoebor ahaped wide screens. As in the early days of LP records and video recorders, incompatible techniques are being developed (the Americans and the Japanese have different systems, and there is even disagreement among the Europeans) so a lot hangs upon D-MAC's success.

No doubt it was this, and—thanks to the lack of BSB equipment available to the public—the desperate scarcity of feedback to the picture, we actually get the

bear a brasen energy that is entirely characteristic, Schnittee has achieved a

direct, uncluttered coherence

in the solo part, which sustains

hyperactivity and quiet spirituality. It is as if a sense of mortality (together with an awareness of Rostropovich's musical personality) has suddenly concentrated his

The concerto begins with an unaccompanied rhapsodic recitative for the soloist, and

then breaks into a hectic, restless allegro. The solo part becomes more and more "driven," and the orchestral

accompaniment - initially

confined to making isolated responses — gradually takes up the same character, both charging together to the and of

charging together to the end of the movement. The central

benefit of the new technology.

And the result?

Weathington-like I cannot tell a
lier the result is a revelation. The improvement in pictures is dramatic. Until you see a BSB programme in D-MAC you do not realise quite how much phosting, flare and sheer fuzziness you have become

fuzziness you have become used to, even on a set previously regarded as good. Much of the time the pictures from the five BSB channels now remind us more of photographic colour prints than of a conventional extins. TV images. Even more striking, however, is the effect of NICAM stereo. NICAM is the industry-wide system dindustry-wide system developed by the BBC and IBA and now used also by BSB. Simply watching television in the conventional manner on the new outfit means a remarkable improvement in sound and vision.
With the weekend, however,

with the weekend, however, and the remarkable arts schedule on BSB's Now channel, comes a new sort of television experience altogether. Sit down on Saturday evening for Manos (directed by Colin Nears originally for the BBC) ping your headphones into the set, and you suddenly discover that — contrary to almost all the evidence of a lifetime — ballet can make good sense on can make good sense on television after all. True, Kenneth MacMillan's choreography has always seemed better suited than most to the small screen; his Mayering was one of the most effective ballets on television

effective ballets on television in the last 25 years.
But it is the sound that really does the trick. With sound virtually as good as that from a compact disc, it would make sense simply to listen to the music by itself. Having really clear pictures as well takes televised ballet into a new realm of experience. The pictures are so pincharp that you fall to wondering why

The soloist provides a free counterpoint to the theme, which is echoed around the orchestra, brought to a crescendo, and then twisted and transformed until it becomes unrecognisable. The soloist winds the music down

in Memoriam, a 25 minute work first performed in 1979, makes more obvious use of the clavichord and vibraphone, and adds piano, marimba and organ. With its sty waits, its gypsy tone and searing string lines à la Shostakovich, it can hide neither its depth nor its disjointedness. A fascinating performance, nevertheless, from these excellent young players under Rostropovich, who ended the evening on the lawns outside the Casino, conducting an exquisite Fanfare written for this year's festival by Henri Duillieux.

to a dying thread.

some male ballet dancers pad out their genitals in quite such a ludicrous manner . . . but the pleasure of the total effect is such that you quickly sorget these nigries.
Then, on the following night, when the Now channel follows up with Placido Domingo and

Kiri te Kanawa in Covent Garden's 1983 production of Manon Lescout you discover that opera benefits even more that opera benefits even more from these technological advances. What would once have appeared to be marely a navy blue screen with something vaguely like Domingo's volce emerging from it can now be seen guite clearly as a dim but subtly lit scene with an easily identifiable Domingo and a guite unwistakable voice. This identifiable Domingo and a quite unmistakable voice. This, plus The Fontenay Trio In Concert late on Saturday, playing Mozart, Henze and Brahma, and then Brahms' songs in Front Of House late on Sunday, prove that what we are experiencing is another step up comparable to that step we all took when we first listened to music on stereo headphones.

Must Saturday afternoon the Next Samurlay afternoon the Now channel offers another screening of the Manon Lescout, then a recital of 20th century piano music (Schoenberg, Stravinsky, Lutoslawski) by the Paratore twins, a Denish recording of Giselle danced by the Kirov, and Hattink conducting the Concertgebouw in Mahler's 4th. On Sunday we get the Labeque sisters in concert with the Munich Philharmonic, the second in a four-part drama

The Theater an der Wien is where Fidelio received its promise in 1805, and where Kripe and Bilim Built up a famous ensemble after the war. Today it is used mainly for musicals. But it proved an ideal home for the Vienna Festival's Dos Giovanni, with a alimmeddown Vienna Pullbarmonic in

the pit, and Claudio Abhado presiding over his first major Mozart production. When Abhado was a regular

When Abbado was a regular concert conductor in Lundon, he always seemed ill at ease in Mozart. This Don Giovanni conveyed an altogether different impression. There was nothing stodgy about this performance: it had the old-fashioned virtues of being solid and unostantiations, without excess

unosteritations, without excess
detail or emphasis, the orchestral parts executed with unfailing good taste; but there was a
masterful sense of structure.
Only occasionally did Abbado's

judgment fail him: "Andiam, andiam" was one of several baffling instances where his

insistence on strictness of tempo stripped the music of its

The staging was by Luc Bondy, who showed every sign of having listened to and

Don Giovanni



Kiri te Kanawa and Placido Domingo in Covent Garden's 1983 production of "Manon Lescaut"

knock spots off anything that Sky - and, come to that, any other British television Lescaut, then a recital of 20th century piano music (Schoenberg, Stravinsky, Latoslawski) by the Paratore twins, a Denish recording of Giselie danced by the Kirvy, and Haitink conducting the Concertgebouw in Mahler's 4th. On Sunday we get the Labeque sisters in concert with the Munich Philharmonic, the second in a four-part drama about Van Gogh, another showing of the MacMillan Manon, La Clemenas di Tiso from Stockholm Court Theatre, and finally the Raphael Quartet playing Beethoven's Grosse Pagus.

Virtually none of these programmes is new, but for most of un inst will not matter.

Sky — and, come to that, any other British television channel including BBC2 — offers to lovers of the arts, it could even give Radio 3 a run fir is manay. Goodness know how long SSB can sustain it, but given the kundreds of millions that they have spend, and remembering that they have bought not only lots of BBC and ITV programmes, but large parts of the RM Arts extalogue belonging to the Rivers and remembering too that we are talking only other times the Now channel provides a queer mixture of reporters talking to one another at the Daily Mall and Observer, business

of trying to impose a "con-cept," he focused on simple human ruths and comic reso-

nance, preserving the work's ambiguities. Each character

was vividly re-created. A series of inspired coups de thédire-highlighted the dramatic inter-

many of the opera's scenes. The comedy — centring on Elvira's manic neurosis and

Giovanni's haystack seduc

tions — was contrasted with a quietness and sincerity of feel-ing in the Anna-Ottavio

Susanne Raschig's unfusev

costumes evoked a distant past. The decur by Erich Wan-der was a mixture of pictorial

illusion and abstract invention his partitioning of the stage allowed frequent changes of setting without dominating the

the more initimate seems in Act Two were set inside a large, central cube. The only some to strike a false note was

when Glovanni dressed to dine like a 19th Century baron,

overlooking the Alps from a Teutonic gallary. The descent into hell — engulfed by the ice in the Commendators's vast

ch round out so

programmes, American news, and other odds and ends) they could keep it up for ages.

And is it worth it? Buying and installing the squariel and decoder, assuming you can find them, will cost between 1375 and 2425, or you can rent for £18 a month. After a free trial period, the Movie channel will cost your another \$2. trial period, the Movie channel will cost you another £9 a month. And if our experience is anything to go by, you may need a new television with SCART and stereo in order to gain the true benefit of calling the BARB signals down onto your roof. Our model costs £454 to buy (though these days your to buy (though these days you can pay up to £1500 for some stereo sets) or £18 a month to

To some it will be worth that just to escape the present ghastly desert of Saturday night television.

shedow — was a brilliant piece of stagetraft.

... Ruggero Raimondi proved

that he is still the pro-eminent Glovanni — as dangerous as he is irresistible, a high-quality rogue who falls for his own patter. Although not yet the

ageing roue, Raimondi can teach his younger rivals much

about the power of understate-ment and convenational use of

Rarita Mattile's larger-than-life Bivira was a fascinating construction of nervous famule

insecurity, but her phrasing

was four-square, perhaps under Abbado's influence. Lucio

Gallo's youthful Leporello, sung with a light, fightlibe bass, made a lively impression. As Zerlina, Marie McLaughlin was

in excellent vocal shape,

playing the seductress as much as the seduced. A noble Otta-vio from Hams Peter Blochwitz was partnered by an Anna of controlled passion from Cheryl Studer. There were good sup-

porting performances from Anatoly Kocherga as the Com-mendature and Carlos Chaus-

Andrew Clark

## Thérèse Raquin

MINERYA STUDIO, CHICHESTER

It is devouily to be hoped that the good burghers of Chichester do not get their theatres confused. Those keyed up for The Merry Wives of Windsor with Penelope Keith should make for the Eastival Theatre make for the Festival Theatre. If they stray unwittingly into the Minerva Studio they are in for some boisterously violent sexual passion, the sound of ripping bodice and torn-off buttons bespattering the stage, and coitus vigorously simu-lated on a dining-table, with Miss Keith nowhere in sight.

At first glance the adulter-ous lovers drifting almost casually into murder in Zola's novel, and later play, antici-pate Hollywood film noir: the pare Hollywood film noir: the sweaty guilt, the furtive lust, the stifling social milieu, all pre-echo the bleak intensity of Double Indemnity or The Postman Almays Rings Twice. But Zola is paradoxically both more ironic and more old-fashioned. The later couples are doomed from the start, scrabbling against the impassive rock-face of destiny. But Thérèse of destiny. But Thérèse ing against the impassive rock-face of destiny. But Therese and Laurent fall apart for rea-sons of good, old-fashioned conscience, even though every-thing is going their way. A year after killing Therese's husband, they are doted on by husband, they are doted on by the victim's unwitting mother; everybody persuades them to marry; this is what they planned. But the relationship sours and festers; and the long scene in Act 2 where they tear one another apart, condemned to be caged together in mutual loathing, is both mocking and morally orthodor. There have morally orthodox. There have

merely the corrosive know-ledge of their own gult. Vicki Mortimer's design gives us the living-cum-bed-room above the pokey Paris abop where these provincials have ended up; an expression-istic alant to the criting empha-sises the skylight that will blow open to turn melodrama into grand guignol when Ther-ess imagines her dead hus-band's approach. Nicholas

been no external pressures:

Wright's translation is to the point, fluent and speakable, apart from odd Americanisms in tense and vocabulary. David Leveaux' direction captures the couple's physicality, first as they crash to the ground in last, then in the violence of their rage, ending with the weavy, listless flailing which Therese directs at the man like a child exhausted by tantrums. Neil Pearson and Joanne Pearce are at their best as the couple who have, like famous killers before them, murdered sleep, an aching tiredness as evident as their intensity.

The play steers dangerously close to melodrama, especially in the stroke that paralyses old Mme Raquin when she stum-bles on the truth of her son's murder. Her lost speech and movement, both of which return to plunge the lovers into a hell of their own making are entrusted to the intelli-gent Georgine Anderson who makes a baleful presence, sad but inexorable in her wheelchair as the gladiatorial couple fight to the death.

Good performances all round; especially from Kevin Doyle's gauche and wimplsh husband, Robin McAffrey's innocent young girl, convincing in her freshness, and Jonaing in her freshness, and Jonathan Adams, all grizzled self-importance and sublime pomposity as an office pundit (Zola is scathing about the French bourgeoisie). The author's (to some) old-fashioned belief that crime will out if only through a self-destruc-tive conscience is countered by his much more modern perception that perfectly ordinary people can commit murder. The strength of this production, and what saves it from excess, is the depiction of that normality, fatally unbalanced by a passion that is simply not received to depict the depiction. enough to elevate its humdrum protagonists into tragic fig-

Martin Hoyle

### Punishment without Revenge?

It is a strange and moving experience, watching a great play that's over 350 years old in its first English—language performance, but it is an experience that should become more familiar. Punishment, without Revenge? is by the Spanish master-dramatist Lope de Vega, whose Fuente Ovejuma was successfully shown by Cheek by Jowl at the Cottesloe last year; and this is a no less fine play. The new Lope de Vega Project will now presde Vega Project will now present two other plays by this master in the next twelve

The libertine Duke of Ferrara must, for political reasons, marry Cassandra, daughter of a neighbouring ruler. He wants, however, bis loyal son, the noble bastand Count Federico, to succeed to the throns. This Duke, in the first Acts, pre-echoes libertine Dukes of French Romantic drama — as in de Musset's Lorenzoccio and Hugo's Le Roi S'amuse. But when Federico is ant to collect Cassandra, they fall reluc-tantly in love — a situation that look back to the Tristan story and forward to Schiller's Don Curios (in particular) and Maeterlinch's Pelléas to Méli-sant while the cuckoided Duke comes to resemble Tristan's King Mark or Theseus in Hig-

polytus and Phèdre. De Vega invokes none of these parallels, but he makes his characters dilemma as intense, as poetic and as force-ful. The play is multi-layered,

with Bard-like references to the nature of existence ("This life is but a dream") and of drams itself ("The stage is a

mirror").
The language in which Cassantra mentions her husband's unfeeling storm of her virginity, describing him as a rider losing his bridle, is brilliantly disturbing. For this produc-tion, the director Laurence Boswell has adapted a transla-tion by Sara Mair-Thomas the memorable Solveig in the National's corrent Peer Gynt, here playing Cassandra.
As Cassandra, Thomas beau-

tifully contrasts the restraint of royal dignity with the vio-lence of private feeling. I love her voice — creamy, harsh, soft, desperate, by turns — and the eloquence of her stillness. Paul Mooney is slightly too stiff-upper-lip in some of Fed-erico's wilder Romantic flights, but shows none the less the right noble intensity and edge of hysteria. Likewise David Sumner, though he could strengthen the reprobate quality of the Duke's early scenes, achieves chilling force as the

drama nears its conclusion. The staging, which deliberately adds Spanish flavour to its Italian plot, draws power from the Gate's tiny space. This is the third of this theater's tre's Consummate Classics series of unknown foreign masterpieces. I write with intense gratitude and admiration.

Alastair Macaulay

### ARTS GUIDE

Andrew Clark

THEATRE

Loudon

Anything Goes (Prince Edward).
Cole Porter's silly ocean-going
1830s musical has four or five
marvellous songs and Elaine
Paige failing to emplain Ethel
Merman. Jerry Zak's desperately
bright production comes from
the Lincoln Center in New York
and is undemanding fare (794
8841. cc 336 3428). and is undemanding fars (734
8851, cc 836 2426).
Jeffrey Bernard is Unwell
(Apollo). Tom Conti is the alcoholic journalist who embodies
a Falstaffien, nay-exying life
force while committing public
suicide by vodka. Keth Waterhouse has stitched a fine play,
the sesson's highlight, from Bernard's own writing, Ned Sherrin
directs (457 2668).
Aspects of Love (Prince of
Wales). Andrew Lloyd Webber's
latest is an intimate chamber
operetta derived from David Garnett's 1965 novella: Musically

nett's 1965 novella. Musically interesting and well directed

by Trever Num, a cast of unknowns project the right same of sybaritic insourisance. A proba-ble, but unspectacular, hit (839 5072).
Shadowiands (Queen's). Four-tissue weeple about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled. American poet Joy Davidman, which pushes both Nigel Haw-thorne and Jane Lapotaire into the awards stakes. William

Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 Makal City Thesize, Marlenstr.

12. Peter Makel, director of the Stuttgart-based International Festival of Mine, now in its aighth year, has put together a truly world-class programme. Founder of the Makai Theatre, Founder of the Makai Theatre, he will present a down specialist groups and artists from eight countries, including the Soviet Union, Sust Germany and Hungary as well as Chile, Australia, France and the US. Ends June 4 (9711/526206).

Cut on a Hot Tin Roof (Sugene O'Nell). Kathleen Turner, whose transcase good looks embody
Tennessee Williams' vibrant
character Maggie, is surrounded
by an excellent supporting cast
in Howard Davies' production.
Grapes of Wrath (Cort). The
Stemenwolf commany's internetterapes of wrath (cord, line) Steppenwolf company's interpre-tation of the Steinbeck epic novel has taken a long time to reach less worth it, with the 1930s brought alive in its squalour as wall as it tast of human well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Gelati's

Joan stands out in Frank Gelant's adaptation.

Heidi Chronicles (Plymouth).

Wendy Wasserstein's award-winding drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1988, accompanied by the musical and emotional flavour of the period tional flavour of the period (239 6200).

Gypsy (St James). This 30th antiversary production does more than revive a rich, vivid musical;

Daly, as the bossy, threless and inneful Rose, who shamelessly leads her daughter into bur-lasque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's pres-ent musical doctor, directs this remake of the Garbo film to st least shalor the bones of this inert depiction of lives crisacross

Sweamy Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the alaborate original a decade ago supplicates, the descent into madness of Bob Gunton as the demon barber of Most Street (200 200m) of Float Street (239 8200).

Jerome Echlains' Broadway (Imperial). Anyone attracted by the notion of three hours of film the notion of three notifs of non-trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, inclining On the Thom, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevily of each plees, with a contamporary craw of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Les Minimables (Brondway). The magnificant spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (289 6200).

Phantom of the Opera (Majestic), Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's hauni-ing melodies in this mega-trans-ier from London (228 6200).

May 25-31

Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (888 900).

Franchity (Pegasus Players).

Jeff Stetson's political drama focuses on the civil rights movement of the 1960s and 1970s to explore issues of principle and compromise. Ends June 1 (87)

Tokyo

Peer Gynt (in Japanese). Japan's most famous director, Yukio Ninagawa, best known for his samurai Macbeth and noh Tempest, tackles lheen's "unstageable" masterplace, with a cast headed by a popular young rock singer. Aoyama Theaire (201777).

Mely Thesire, Moscow. Chek-hov's The Wood Demon is an early work, that was later reworked as Uncle Vanya. Per-formed in Russian. Seinenkan Theatre. (Thur) (235 1661). Noh. Kakitsubata (The Irises). Noh. Kakitsubata (The Irises).
A susual phote that conclude with a dance for the spirit of the irises. Hosho Noh Theatre. (Thur) (811 4848).

### SALEROOM

Christie's set a new auction record for British ceramics yes-terday when it sold a London Delft salt, modelled as a youth, for £176,000 to the London dealer Jonathon Horne. It carried the date 1875 and, although the piece was repaired and chipped, it beat the previous record of £112,200 set in 1986. The price was way ahead of the £40,000 top estimate, and compares with the £520 paid for it in 1962. Indeed Christie's best the old

record four times in the first 17 lots that it offered from the celebrated Rous Lench collec-

tion. A London Delft candle-stick of 1653 (top estimate \$20,000) made £154,000, also to Horne, who then paid the same sum for a royal portrait wine bottle of around 1660, depicting Charles II. A royal double por-trait jug, which includes Queen Catherine, sold for £121,000. The unrivalled collection of British ceramics was assembled by the late Tom Burn for his home, Rous Lench. The morning session alone totalled a record \$1.88m, with just one per cent unsold.

Antony Thorncroft

Record sum for literary awards £16,000 Betty Trask prize for a first novel of a romantic or tra-

The Prince of Wales presented literary prizes worth a record total of £89,250 at the Society of ditional nature by a writer Authors' annual reception last

Awards of £5,000 each were won by published authors all under 35 years old: Mark Hudson for Our Grandmothers Drums; Sam North for The Automatic Man and Nicholas Shakespeare for The Vision of Elena Silves.

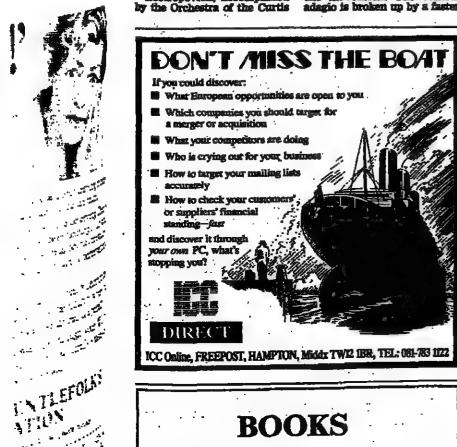
A new award, the McKitter-

The Somerset Maugham

ick Prize for a first novel by an author over 40, went to Simon Mawer for Chimera. Robert McLiam Wilson, author of Ripley Bogle, won the

under 35. Awards also went to Rlizabeth Chadwick for The Wild Hunt, Rosemary Cohen for No Strange Land and Nicholas Shakespeare (again) for The Vision of Elena Silves. Kingsley Amis, Elaine Fein-stein and Michael O'Neill won the Choimondeley Awards for

Poets. The Eric Gregory Awards, aimed at encouraging poets under 30, went to Nicholas Drake, Maggie Hannan, William Park, Jonathan Davidson, Lavinia Greenlaw, Don Poterson and John Wells. Paterson and John Wells.



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Wednesday May 30 1990

## The Treasury cries wolf

"THERE ARE wolves about," cries the boy on Great George Street, "and they are after my tax cuts." There is nothing new in the British Treasury crying about the wolves of Whitehall. But this time the

Treasury may be right.
"Look at the national health service," moans the boy. "It will devour an extra £2bn this year and want still more next year. The poll tax is worse, it wants another £3bn. The national curriculum is ravenous, while transport, quiet for years, wants undergrounds and roads everywhere. Even defence has not lost all its appetite. Meanwhile, social security says it is suffering from an inflationary tapeworm. In fact, all of them say they are suffering from infla-tion. Well, is that my fault?" Whether or not the upsurge in inflation is the Treasury's

fault is debatable. But the consequences are not. Last November, the increase in the deflator for gross domestic product was forecast at 5 per cent this year and 3½ per cent next. By the time of the March Red Book the deflator was set at 6% per cent for 1990-91 and 4% per cent for 1991-92, with the latter likely to be a sub-stantial under-estimate.

### Optimistic forecast

Current planning totals are expected to give "real" growth of 3% per cent this year. For next year, the Treasury's optimistic inflation forecast gives real growth of 2% per cent; more plausible forecasts would give zero real growth, an inconceivable degree of strin-gency so close to an election. Nor, when one looks at it closely, is the "peace dividend" likely to save the day. The Treasury will be very lucky if it prevents the planning total of the Ministry of Defence from

rising in nominal terms.
Fortunately for Mr Major, inflation gives as it takes. Despite low economic growth, inflation may well raise money GDP in 1991-92 by more than filtin above the level expected at the time of the budget. If so general government expendi-ture (excluding privatisation receipts) could rise by 24bn above the envisaged level and still remain below the target of 284 year cent of GDP

38% per cent of GOP.
The planning total, without privatisation receipts, could

then rise by 4 per cent in real terms, provided local-authority self-financed expenditure and central government debt interest (the main items outside the planning total) remain no higher than forecast in the Red Book. If these two items were to rise substantially, as is far more likely, the share of general government expenditure would come close to 40 per cent of GDP or, alternatively, the 38% per cent target would prevent the planning total from rising at all in real terms.

### Sensible rise

It will be quite difficult to keep spending below the target share of GDP. More importantly, this should not be viewed as an overriding objective. The priority that should be given to health, education, transport and social malion. transport and social welfare suggests that a modest rise in the share of public spending in GDP might be quite sensible.

A more important concern than the share of public spend-ing in GDP is the fiscal position. Shorn of privatisation receipts, the Treasury forecasts the public sector debt repayment to be only % per cent of GDP this year. A case can be made for tolerating a further deterioration during a cyclical downturn. But the British economy could do with higher

public savings.

In short, it may be impossible for the Treasury to satisfy the most pressing demands for higher public spending without letting its share in gross domestic product rise once more. Moreover, the Treasury may be shle to have any two out of tax cuts, politically attractive increases in spending, and a budget surplus, but it may be unable to enjoy all three. If this were, indeed, to be the case, the best option would be to forgo the tax cuts.

Whatever the decision, it Whatever the decision, it

Whatever the decision, it should be made explicitly, by considering taxation and public spending at the same time. But this is the last thing the Treasury desires. By crying wolf it hopes, instead, to frighten the rest of the Government into giving Mr Major his big day next March. If it falls, either those tax cuts or the Treasury's hard-won reputation for fiscal prudence could be gobbled up.

### Democracy in Czechoslovakia

THERE IS another side to the gay and pacific Czechoslovak gay and pacine Czecnosovak
revolution — now six months
old — to that still visible in
gracious, springtime Prague.
It is of a people enervated
and suspicious after half a century of totalitarian rule; of an economy technically deficient and underproductive; of a federation on the point of disinte-gration; of a picthora of parties with no roots; and of a com-munist state apparatus, secret

police and army, some of which retains a will to be mischievous. It is of an environment as polluted as any in eastern Europe; of an education system woefully funded and politically corrupted; of a social system that can barely relieve the worst effects of ill health and

age and of a culture thinned out and starved by the with-drawal of citizens to uncaring This is, indeed, the picture often presented by the very people who made the revolu-tion of November 1989 – in particular by their leader, Pres-ident Vaclay Havel. None cre-

ated such an inventive revolt against totalitarianism: none have since emphasised so elo-quently the harshness of the road on which they have set They cannot be accused of failing to warn and to tea and the Czechoslovak election campaign (the elections take

place on June 8) has so far been freer of damagoguary, of false promises and of vacuous "image creation" than any western equivalent. Of the many examples East European dissidence has to teach the West, the decency and intelligence of its behaviour in power

### Biggest test

But the largest test, still to be faced, is to effect a transition, not only from a commu-nist to a liberal system but from a Platonic style of rule depending, as it does, on the keystone of philosopher-president Havel – into a system of civil and state institutions which can cope with the nor-mal human and social weaknesses. The danger is that the Czechoslovak revolution has produced an interim political settlement which could harden into an established order, one

that would impede the develop-ment of a fallible democracy by insisting too long on a tran-

scendent purpose.
The onus is on the new leaders, first, to address the harm-ful effects of the Civic Forum's dominance of Czech politics. (The Christian Democrats have a lead in Slovakia). The Forum, with a clutch of charismatic individuals at its head and the ability to project itself as the unifier and healer of the nation, tends to crowd out the new parties: its most popular poster reads "the parties are for party members, Civic Forum is for everyone". It should have transformed itself into a party before now, it must do so as soon as possible after June 8. In Czechoslovakia the last party to claim it was for everyone was the Commu-

### Declaration of intent When - in the second place

- it does so, it must clarify where it stands politically. It cannot continue to say, as its leaders presently do, that it will occupy the centre ground: left, right and centre have yet to be defined, and a declaration by Civic Forum of its political intentions would greatly assist.
Finally, the Presidency must
be both clarified and confined.

The pre-war practice of the Czechoslovak Republic was to recognise President Masaryk's intellectual and moral prestige, but to keep the office relatively weak: it is probably a good precedent to follow, one into which Mr Havel could fit like a hand into a glove.

He has already, and can in the future, lend his country his enormous prestige, and in doing so may keep it united and prominent - a huge advantage at a time of competition between the post-communist states for aid and invest-

But it is on the squabbling and manoeuvring of party poli-tics which Czechoslovak democracy will depend: on presently unknown, lesser figures that stability and freedom will be built. Vaclay Havel and his fellows wrote themselves and their country into history in a manner at once glorious and funny, courageous and peaceful. Now - it may be harder - they must write themselves down.

### Ouentin Peel says Gorbachev goes to the US in a state of great weakness

resident Mikhail Gorbachev must have taken off from Moscow yesterday for Ott-awa and the Washington

awa and the Washington summit feeling sick at heart. In spite of every effort he could make on the eve of his departure—culminating in a pep talk for 400 Rossian deputies in the Rossiya hotel on Monday night—he had falled to prevent his arch-rival, Mr Boris Yeltsin, from clinching his election as president of the Russian federation. The result was announced within hours of bis departure. his departure.
It means that the Soviet leader will

be flying to a superpower summit with his home base in unprecedented disarray. For the election of Mr Yeltsin cannot be seen as anything other than an humiliating defeat.

Sacked by Mr Gorbachev from his position in the rolling Politiburo, and as party chief of Moscow, just over two years ago, he has bounced back through a combination of determination and exploitation of bitterness against the Communist Party establishment. His comeback owes everything to the process of democratisa-tion launched by the Soviet leader. Yet Mr Yeltsin has proved that as the

Yet Mr Yeltsin has proved that as the most popular politician in the nation — almost certainly more popular than Mr Gorbachev — he could not be kept out of office indefinitely.

The one thing going for Mr Gorbachev is that he should be coming home with a nuclear arms pect initialled in his pocket. He can argue that on foreign policy at least, the Soviet Union is still resping a clear benefit from perestroika. But at home, it is hard to see even a glimmer of light on his horizon.

Economically, the country is in

Economically, the country is in chaos. Mr Nikolai Byahkov, the Prime Minister, has finally announced a price reform package which has been condemned from all sides as incohercondemned from all sides as incoher-ent. Quite apart from its failure to bring the official aim of a market economy any closer, it has precipi-tated a wave of panic buying. Foreign trade ties are also in confusion, with delays on the most essential trade payments causing havoc, and a poten-tial standstill in imported supplies. Politically, the victory of Mr Yeitsin represents the first occasion on which Mr Gorbachev has been unable to

Mr Gorbachev has been unable to ensure the election of his own man to a key position. One of his great successes until now has been to have all the top officials owing their place to him. Mr Yeltsin owes him nothing. him. Mr Yeltsin owes him nothing.

It is still unclear just how powerful the job of Russian President will be. But the logic of the Soviet reforms is that it will be far more important than hitherto, with substantial devolution of power from the centre. With a man of Mr Yeltsin's stature in the job, it looks almost inevitably like the base for an open challenge to the sweeping powers of the all-union. Boylet President.

At the same time, Mr Gurbachav is

At the same time, Mr Gurbachev is seeking to hold together a terminally-divided ruling party. The 28th Party Congress, scheduled for July 2, looks

Can Gorbachev confound all the sceptics, and turn the inevitability of defeat into another impetus to perestroika?

certain to become the setting for a formal split, with many of Mr Gorbaches's natural social democratic allies

cher's natural social democratic allies walking out to leave a conservative rump. Yet the Soviet leader is devoting all his persunal prestige to keeping the party together.

Meanwhile there is no end in sight to the secession problems in the Baltic republics, where the Soviet oil blockade of Lithuania is proving as much a demonstration of the centre's weakness as its strength. All times weakness as its strength. All three

## All chaos on the home front

Baitic republics are dead set on out-right independence, but Mr Gorba-chev has yet to find any negotiating formula capable of bringing both sides to the table. With a cruei sense of timing, the ethnic conflicts in the Trans-Caucasus have blown up again, with at least 23 dead in Armenia from clashes now not with neighbouring Azerbaijanis, but troops of the Soviet

Interior Ministry itself.

And then again, Mr Gorbachev is facing new murmurings from his military establishment, which shares with Russian nationalists, and the conservative wing of the Communist Party, concern about the speed of change in Eastern Europe, and above all the German unification process.

Surely even the consummate political magician that the Soviet leader is

cal magician that the Soviet leader is cannot emerge unscathed from such a combination. Can be confound all the sceptics, and turn the inevitability of defeat into another strong impetus to perestroika? Or is the victory of Mr Boris Yeltsin the beginning of the end for the Soviet leader?

The first question many ordinary Soviet citizens would ask is why the victory of Mr Yeltsin should be seen victory of Mr Yelisin should be seen as a defeat at all. They see the former party boss from Sverdlovsk, committed to radical reform, as the natural ally of the Soviet leader. He would help Mr Gorbachev overcome the resistance of the conservatives. Indeed, they believe he could help units Communists and non-Communists in a complex coefficient. nists in a genuine coalition.

The obvious answer for Mr Gorba-chev is to commit bimself to a radical acceleration in the whole reform proacceleration in the whole reform programme. Three factors militate against it. The first is the antagonism that has grown between the two, since Mr Yeltsin was sacked from the Politburo, and with his conviction that Mr Gorbachev should have protected him. The Soviet leader seems to be dragged into unnecessarily personal attacks on his rival, possibly incensed by his obvious popularity.

Although Mr Teltsin's lifestyle and behaviour, and apparent weakness for alcohol, invite mockery, it seems clear

behaviour, and apparent weakness for alcohol, invite mockery, it seems clear he has also been subject to dirty tricks compaigns by the KGB, which could scarcely have been done without being condoned from the Kremlin. Second, Mr Gorbachev and his advisers regard Mr Yeltsin as a politician without a programme, who has achieved his popularity primarity by exploiting resentment against the privileges of the elite, and by heing seen to be a scapegoat himself. Indeed, the more he has been denigrated, the more popular he has become, even when accused of falling drunk into the Moscow river.

become, even when accused of falling drunk into the Moscow river.

Finally, the Party itself cannot forgive him for failing to go gracefully in the old tradition, and for undermining its prestige. The question is whether Mr Gorbachev can afford to forgive him, and still keep hold of the Party.

On the issues themselves, there are wide areas of common ground. Conwide areas of common ground. Certainly on economic reform, both are committed to a relatively rapid transi-tion to a market system. Mr Yeltsin would probably not go faster than Mr Gorbachev: they both know nothing other than the old system, and still don't quite understand or trust mar-

The trouble is that Mr Gorbachev appears to have got himself into a terrible bind on economic reform, unable to separate himself from the



old bureancracy, and compounding the difficulties of change with every month he delays.

Incircit he delays.

Last week's economic reform programme presented by Mr Ryzhkov appears to combine the worst of all possible worlds: imposing price rises by command, not taking any clear measures to move to a market, and measures to move to a market, and setting off penic buying to aggravate all the current shortages in the shops. The programme was presented to Parliament after having been debated and apparently approved by the President's Council, the top-level advisory hody set up by Mr Gorbachev when he became Executive President in the spring Yet Mr Gorbachevia appropries spring. Yet Mr Gorbachev's economic advisors, such as Dr Stanislav Shatalin, and Profe or Nikolai Petrakov are obviously totally opposed to it. Dr Shatalin says the President himself is

not committed to it.

The question is whether Mr Gorba chev is giving his Prime Minister, long seen as a potential opponent of swesping market reforms, enough rope to hang himself. If so, it may be a politically brilliant manoeuvre, but it will simply mean more delays in

stopping the economic callages.

The same is true about the extraordinary idea of having a referendum. Three factors may have been behind it: Mr Gorbachev's promise to consult the population before any price reform; the recognition that the Government has no popular mandate for impleasant reforms, and possibly the desire to kill off a disastrous package. But it requires a law to be passed in the Supreme Soviet, and it will almost certainly ask questions either absurdly simplistic ("Do you want food prices to double?") or impossible to suswer from a position of absolute ignorance ("Do you approve of transition to a market economy?") Again, it will mean months of delay to achieve a meaningless can result.

An alternative to the Ryzhkov plan, which seems to be emerging from a conspiracy of professors, all committed to more radical reforms, could come out in the summer. It would reverse the process, as Professor Petrakov wants, and enforce radical measures to control or break up state monopolies before liberating market prices. There would certainly be infla-

tion, but at least higher prices might begin to have an effect on production, and not simply consumers' pockets. Dr Shatalin and Professor Petrakov both believe that such a programme cannot be carried out without large-scale economic and technical assistance from the West. In that they are also on the opposite side to Mr Rythkov, who has a pradent Victorian attitude to foreign borrowing.

If Mr Gorbachev is playing a complex and devious political game to outmanocuvre Mr Rythkov and the government bureaucrary, then a sec-

government bureaucrary, then a sec-ond complicated relationship with Mr Yeltsin, also looking to exploit the situation, can only make matters

The issue on which the relationship between the two could prove most difficult is on the relationship between the republics and the union, and above all on the key question of secession — in the Baltica and even in such increasingly nationalistic

regims as the Ukraine.

Mr Yeltsin made it clear before his election that he would exploit the

election that he would exploit the desire for greater sovereignty in all republics, including Russia, to the full. In his final speech before election, he was more conciliatory, so the final strategy is unclear.

Beforehand, he was critical of the President's whole strategy towards Lithuania, for example, saying it was a nonsense for a state to impose an affective blockade on one part of the country. He promised direct treaties between Russia – the supplier of oil and gas – and the other republics, starting with the Baltics. If he could pull it off, it would undermine all Mr starting with the Baltics. If he could pull it off, it would undermine all Mr Gorbachev's efforts to force the Baltics back into line.

Indeed that issue was the one on which Mr Gorbachev attacked him most angrily last week, accusing him

of trying to encourage separatism, destroy the union, and "isolate Russia from socialism." "Under the banner of from socialism." "Under the bather of establishing the sovereignty of Russia, he is appealing essentially for the disintegration of the Union," he said. How far Mr Yeltsin goes along that road probably depends on the deal Mr Gorbachev is prepared to do. Obviously the Russian President cannot command a majority in the Russian Parliament on every issue. But he has

Parliament on every issue. But he has shown he can put together a coalition of forces with as much skill as the Soviet President. Soviet President,
It is all such a tragic irony for the
Soviet leader. Only two months ago
he assumed the powerful executive
presidency of the Union to bring some
coherence to government at a time of
increasingly chaotic political debata.
Since then there has been no sign of
coherence. Indeed, the job Mr Gorbachev took on could prove to be the
head of an ever weaker faderation, if
real power continues to pass to the
republics. In conditions of economic
disintegration, with some republics
putting road blocks on their borders
and bauming exports, that looks like
an inevitable process.

Back in Washington, the whole

Mr Yeltsin made it clear that he would exploit the desire for greater sovereignty in all republics

sony Soviet scene presents President Bush with an awful dilemma. So far be has been able to keep his distance. he has been able to keep his distance, maintaining a respectable stance of non-interference. At what stage will the fear of Soviet instability drag him into much greater involvement? The most articulate proponents of a real switch to a market system insist it cannot be done without outside support. This week Mr Bush may have to face up to the prospect of being asked to bail out his rival superpower.

### Governess of the Bank

Women are moving up in the world of European central banking. Hard on the news that the new governor of the National Bank of Austria is to be the 58-year-old Maria Schaumayer comes an announcement from Copenhagen of the appointment of Mrs Bodil Nyboe Andersen as one of the three executive directors of Denmark's equiva-

Nyboe Andersen, 49 and mother of two teenage chil-dren, thus becomes the hot favourite to succeed the present governor, Erik Hotmeyer, when he retires, probably in

As a student, she obtained the highest marks given in the economics finals at Copenhagen University since her father, Professor Poul Nyboe Andersen, took his degree a generation earlier. She became an academic, but switched to hanking in 1981 as an execu-tive director of Andelshanken, and subsequently chief general manager-designate.

She is currently a member of the board of executive directors of Unibank, the bank formed earlier this year by a merger of Privatbanken, SDS and Andelsbanken, and will stay until the end of October. At the National Bank, she should take over the responsi-bilities of the retiring director, Richard Mikkelsen, for domestic monetary and foreign exchange matters, including membership of the EC's com-

mittee of central bankers. Awarded a prize as Business woman of the Year, she said she hoped women in senior management would soon become so common that the prize would be superfluous.

Square meals ■ Welcome to Square Meal

So far as I know it is the only restaurant guide specifically covering the City. It lists not

## **OBSERVER**

only pretentions restaurants, but goes through the whole range to pubs, wine bers and vegetarian. A little hit of straight information is given about each.
Some 60,000 copies are being

distributed free in the City. The publication will come out twice a year and carries advertising. It may even make money for the two ex-City men who devised it: Simon White, formerly of KPMG, and Mark de Wesselow, ex-BZW. They say they want feedback for the next edition and are offering champagne prizes.

### French parade Britain takes some of the

50th anniversary commemora-tions of the events of the Second World War more serious than others. Take the battle of Narvik, for example. A com-hined British-French-Polish-Norwegian force achieved the first victory over Hitler's force in a remote but strategically important part of Norway. Actually, the triumph was short-lived. The secret order to withdraw from Norway came before the battle was won - something that Norwegians are still bitter about. But the British Royal Navy

played a crucial part in the It was hard to realise that from the weekend celebrations. Tom King, the Defence Secretary, turned up at the last min-ute for one of the three days of festivities, but only 14 out of the estimated 1,500 old suldiers who came were British as well as a sprinkling of naval

and army officers. The occasion turned into almost a wholly French-Norwegian affair, Jean-Pierre Chevé-nement, the French Defence Minister, led a mage delegation of top brass, including a contingent of Alpine chasseurs and a band that played the Marseillelse at the ceremony



"Enough about me -- how have you been keeping?"

but not God Save the Queen. Alongside a large tricolour flut-tered a Union Fing the size of a dish-cioth. According to senior officers,

Britain has plenty of victories to celebrate over the next five years, and Narvik was a small show. The French were there in force because "it is one of the only battles they won in the whole war."

### IBJ's new men

a Yoh Kurosawa, who will become president of the industrial Bank of Japan next month, is one of the few senior Japanese businessmen with whom an outsider can have an argument. That may sound odd, but

apanese business culture puis such a premium on amorthing over or repressing differences, especially with foreigners, that most encounters with execu-tives at Kurosawa's level tend

A colleague recalls having the temerity to doubt Kurosawa's judgment on the collapse of Japan's aluminium smelting industry a few years ago, and

suddenly finding himself in a lively debate in front of several speciators. Kurosawa rushed over at the end of the meeting to thank him for the diverting discussion. Kurosawa's ascension is a

victory for the international side of IBJ, although it must be said that all of the bank's senior executives seem impressively cosmopolitan. He spent sively cosmopolitan. He spent five years in West Germany in the late 1960s and has been deeply involved in the negotia-tions in the part three years on Latin American debt, espe-cially Mexican. Perhaps it would be more

accurate to say that the Ger-man school within IBJ is in the ascendant. Hideo Ishthara, who becomes deputy president next month, is also an alumms of the bank's West German subsidiary and, like Kurosawa, a finent German speaker.

### Mrs Menem

Triena Your de Meren, wife of Argentine President Carlos Menem, is currently at the eye of a political hund-cane. Did or didn't she say. "This country will go to the devil in August"?
According to the latest edi-

tion of the weekly magazine, Noticias, she said not only that but a host of other potentially damaging things, relating to her husband's personal and political life. It has been an open secret for months that she opposes her husband's economic policies of privatisation and generalised belt-tighten-

Carlos Menem filed for legal separation from her in 1987, but dropped the case as his hopes of winning the presidency grew. He may yet take it up again.

### Heavenly voice

From a Sussex parish magazine: "We have been asked to state that at the musical evening reported in our last issue Mrs . . . sang the solo Lord

entre de la companya La companya de la companya del companya de la companya de la companya del companya del companya de la companya de la companya de la companya de la companya del companya del companya de la companya del companya del companya del companya del companya de la companya del com



LA GRANDE DAME DE LA CHAMPAGNE



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to the house

## **LETTERS**

Sir, land the recomment of the tions of the Third Report of the tions of the Third Report of the House of Commons Trade and Industry Committee on Company Investigations and subsequent press comment with

pany Investigations and subsequent press comment with interest.

The committee and media are clearly concerned that the regulatory regime which governs the securities markets in are carry regime regulatory regimes markets mems the securities markets mems the securities markets memories the securities the securities of the securities of the securities of the securities markets memories the securities of success in prosecuting, insider dealing. But is this justified?

There is no evasuate, to substantiate the rumours that sophisticated rings of insiders are operating in the City in the same manner as Ivan Boesky and others from Wall Street. Those prosecuted in this country for insider deal-ing have generally been amoring have generally been oppor-tunists whose profits have



been negligible when compared to the capitalisation of the market as a whole. The threat to the stability of that market and to invastor confidence and to investor confidence would appear therefore to be negligible.

The real threat that the City and the international financial markets face is the manipulation of the securities markets, as the Survelliance Division of the International Stock

## Non-executive directors: valuable to be gained from a voluntary scheme Non-executive directors: valuable experience

Sir. Having been involved during the 1970s and early 1980s in many discussions on institutional responsibilities towards the companies in which they held shares, I amonly too conscious of the failure to find a solution to that was, and still is, a difficult beaute.

It is good therefore to see the natter reopened by your editorial comment of May 22 ("The role of shareholders,") and in John Plender's article of the same day ("The limits of institutional power"). As a contribution to further discussion, may I build on your suggestion that non-executive directors should be mandstory for com-panies of more than a certain

Before moving to a manda-tory requirement I would like

tentre moving to a manuatory requirement I would like
to suggest that a significant
number of companies in the
Alpha stocks lists should be
invited to establish, voluntarily institutional shareholders advisory boards.

The size of the advisory
board might be related to the
percentage that the institutional shareholdings beer to
the total of ordinary shares in
issue, with, say, one member
for each 20 per cent. For example, on the shareholdings data
given in the shareholdings data
given in the Allied Lyons 1988
Report (page 63) the number
would be four. Comparable
data in several other reports
indicate similar numbers.

To set up the advisory
boards, appropriate institu-

for Australia made it des

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20 6

boards, appropriate institu-tional bodies should be invited engaged in industry or com- sion (SEC) study seems to Regent's Park, NWI

The selection of the individ-ual advisory boards should be made from the panel by an independent body comprising representatives from the Bank representatives from the Bank of England, the Stock Exchange, the Institute of Directors and the Confederation of British Industry. Each member would hold office for three years and be eligible for a further two years only.

The frequency with which the advisory board met the executive board would be left for each company to decide but

executive board would be amfor each company to decide but there should be an expectation of at least four meetings each year. Furthermore the advisory board should also be permitted, if it considered it necessary, to have included in interim statements and the annual report ments and the annual report any observations which it felt

should be conveyed to share-holders generally.

A decision on making mandatory the appointment of non-executive directors could be based upon the experience of voluntary arrangements on these lines, D.M. Clement. 19 The Highe

Sir, John Plender presents two views of the short-termism controversy: first, that the nurries does wink short-term, or alternatively, that it does

May I propose that obvious third, that it does both, but probably more of the former? The evidence from the Secuwho have been or are actively ritles and Exchange Commis-

show that the market does respond to improvements in the long-term potential of a company. But, these changes are typically small in comparison to the short-term changes. The current share price of a firm can be largely explained

by its current, or near-term profitability. Disney provides a nice example. When the share price rose nearly 4 per cent on amouncement of the Eurodisneyland deal, this was extolled as a sign of the long-termism of the mar-ket. Interestingly enough, the share price had risen 400 per cent over the previous four-years, on the back of a four-and-a-half-fold increase in earn-

Who is to blame for this short-termism is a far more complicated question. But it seems unfair to ask shareholdseems unfair to ask shareholders to place more trust in company management when they have so little information to go on. Even if they did have more information, can shareholders really be criticised for being sceptical about management's long-term projections? As a contrast how many company headquarters really hold much trust in the five-year projections of their divisions? Bread today may be more attractive today may be more attractive than jam tomorrow.

As long as the divide between owners and managers remains wide, and as long as the information to shareholders is so limited, we can expect no significant change in the abstracticus come. share-pricing game.
Joe Whitehead,
London Business School,

### Europe's cars: an oxygen tent of protectionism

From Mr Vic Heylen.
Sir, In his interview with
Kevin Done ("A final lap for
driving ambition," May 21) Mr
Jacques Calvet, chairman of
Peugeot, claims to be able to solve his Japanese problem with another period of restricted imports — at least until European car makers have achieved half the market share in Japan that the Japa-nese have in the European

ommunity." In that case he will not have to wait very long. Probably not even until the end of this year and certainly not another 10

Last year the European share of the Japanese car market stood at 4.1 per cent, not far away from half the 8.99 per cent Japanese share of the EC market.

Two-thirds of all imported cars sold in Japan are, how-ever, of West German origin. During the last months of last year the car trade balance between Germany and Japan turned in favour of Germany. The share of Mr Calvet's cars on the Japanese market was a poor 0.2 per cent, it is difficult

to believe that this poor performance has anything to do with "the protected nature of the Japanese market" as Mr Calvet claims. On the completely free American market, European manufacturers manage no bet-ter than 4.89 per cent market share with 0.06 per cent for

Lest year Pengeot even sold more cars in the so-called difficult to enter Japanese market (8,494) than it did on the free and open American market (6,054) which makes it diffi-cult to understand what Mr

cult to understand what Mr
Calvet is complaining about.
In its European home marlest Pengeot is not as competitive as Mr Calvet would like us
to believe. Pengeot owes its
12.6 per cent European market
share to the fact that it generates 90.3 per cent of its European sales in the five protected
markets. On the remaining free
European markets and against markets. On the remaining free European markets and against full Japanese competition Psu-geot only manages a very poor 6.44 per cent is anything like representative of Psugeot's competitiveness under free market conditions, Mr Calvet's

feer of being "eliminated" in a completely free market is easy to understand.

to understand.

The question is whether another 10 years of protectionsism will change anything.

The first European demand for 10 years of protection so as to become competitive again, was heard in the early 1970s, and repeated in the early 1970s. That makes one wonder what good another 10 years of protectionism could possibly do, if not to further deteriorate the competitive position of Europetitive position properties position of Europetitive position properties position properties position properties position properties propertie competitive position of Euro-pean manufacturers in a much appreciated protectionist cli-

The simple economic truth is that the European car industry has for too long been kept alive and lost competitiveness under an axygen tent of protectionism. So much so that the only European cars which in inture will be truly competitive on world markets will be Japanese cars built in Europe. Vic Heylen, Hanoging Director, Analyse Auto, Mechestersensing 12, Asterney

## The European air trans-port industry is begin-ning a comprehensive process of restructuring under-the influence of the Single Mar-let Programme. It is an over-due and entirely welcome antidue and entirely welcome anti-dote to years of publicly aponsored collusion between alcopy artifaces which preferred to enjoy the fruits of cartel life in the form of high costs rather than high profits, and for whose management the word "competition" had connota-tions more of the solf course tions more of the golf course than of the marketplace,

appreciate. While market manipulation occurs most readily in relation to the thinly

traded shares of companies which are not highly capital-ised, the resources available to

money launderers render

shares of all companies vulnerable, such control of the mar-let place not only engenders increased volatility in prices but affects all investors rather

than just those who are parties

to manipulative transactions. I share the committee's con-cern about effective regulation.

increased regulation, however, means correctly identifying

those practices which require

policing. If the procedures for investigation and prosecuting insider dealing ment a further overhaul, that should be

proved. Richard Caird, Partner, Head of Fraud Unit,

Pariner, Head of Fraud Unit, Wilde Supte, Queensbridge House, 50 Upper Thanes Street, ECA

Letters, May 28). The market is a valuable

The market is a valuable social invention as is government: both are means for the schievement of ends. It is not the market or government which decides what is efficient or socially desirable. People do that, through the market, government and other agencies and institutions also invented for the purpose. If the results are not what the people want, then they must change either the institutional framework or the choices they make within that framework in the case of the market, that may mean changing the distribution of income, the responsibilities of parents for the education of their children, property rights in the

try the emication of their char-dren, property rights in the environment or whatever.

We welcome the tardy appre-ciation by the Labour Party of the market as a major instru-ment of policy. But to refer to it as a bad master suggests a continuing (and confined)

continuing (and confused)
desire to blame a passive
instrument of policy (the marlet) for the shortcomings of on

active one (the government). Keith Hartley, Nick Hooper,

Hann consequence.
Jack Wheeman.
Institute for Research in the
Social Sciences.
University of York

From Mr Daniel Strusses. Sir, Mr Eatwell's assertion

may account for the Labour Party's curious belief that one

It does not explain, however, why he and his colleagues think that this sector is manu-

facturing, whereas Quesnay thought that it was agricul-

Vertigo relief

Sir, John Plender's analysis of banking system faults ("A Case of Vertigo," May 9) ignores a fair and practical solution to the problem of deposit insurance in the US.

Let The Federal Deposit Insurance Corporation decide

Insurance Corporation decide how insured funds may be invested and require banks to offer insured and uninsured.

accounts. As long as politicians allow the FDIC to prepare its sligible list without prejudice, the market will establish a fair

spread between the low and high risk accounts.

ture. David Simper

Labour and

the market

But there is already widespread alarm at the way this restructuring threatens to be dominated by takeovers, mergers and strategic alliances between existing carriers at the expense of potential new entrums to established routes.

The Monopolies and Mergers Commission and the European Commission are both investicommission are noth investigating British Airways' proposed 20 per cent stake in Sabene, the Belgian state airline. Air France and Lufthamas, the German carrier, have announced a co-operation agreement and have recently of the tallow man an intended. either taken over or rejoiced at the fallure of their only signifithe falling of their only signifi-cant national competitors. Brit-ish Midland has complained that it is being denied the sir-port alois necessary to operate services to Paris and that Brit-ish Airways has used preda-tory tactics on domestic routes. Some alarmist voices in the US have pointed to the recent con-solidation of the market there as a sign that deregulation of the industry in 1978 was a mis-take, and one that Europe must at all costs avoid.

There are two popular but From Mr K. Hartley, Mr N. Hooper and Mr I. Wiseman.
Sir, There seems to be some confusion running through the debate over markets and government (John Eatwell, Letters May 201)

There are two popular but false beliefs about sirins competition which, if acted on by regulators, could make the regulators, could make the gloomy predictions come true. These are the conviction that airlines have to be very large to be efficient and the view that congestion in the air and on the ground in Europe is primarily a technical problem requiring a technical problem requiring a technical problem requiring a technical problem requiring a technical solution.

Since Although there are some modern coronness of scale in marketing and fleet some motiest economies or scale in marketing and fleet management, most of the hene-fits of being large consist in an sirline's ability to damage its competitors rather than its capacity to offer a better or change service to travellers capacity to offer a better or cheaper service to travellers. This has become evident in the US where airlines operating large networks and dominating "imh" sirports have been able to dety competitive pressures. A recent study by Severin Borenstein of the University of Michigan found that carriers increased their fares by 4.5 per cent for every 10 per cent increase in their share of traffic on a hub. They have been

### European civil aviation

## Flying in the face of facts

### By Paul Seabright

helped to do this by loyalty inducements such as frequentflyer programmes which reward loyal (and therefore price insensitive) travellers at the expense of everyone else, including the taxpayer, since frequent-flyer benefits for busi-ness travellers are a kind of untaxed income.

But even without these inducaments, large size and hub dominance make it easier for carriers to use predatory pricing and saturation scheduling to drive out competitors, or to restrict their access to take-off and landing slots.

off and landing slots.
Control of computarised reservation systems allows them to bias the marketing process away from their rivals. The cost to the traveller may be high, but it is invisible: it lies in the fares never reduced, the service improvements never mads, the booking flexibility and the more convenient schedules that no competitor has dared to introduce.

Why is it so popular to argue

has dared to introduce.

Why is it so popular to argue that efficient airlines need to be large? One reason is that operating costs are indeed lower for larger aircraft. For example, in 1987 the average cost per seat mile to operate a strength was 7.71 US. 91-seat aircraft was 7.71 US cents. This figure fell to 3.60 cents for a plane of 192 seats and to a low of 2.59 cents for 505 seats. This means that airlines that achieve a greater density of passengers on a given route may, by operating larger aircraft on average, lower their operating costs. It does not mean that operating many aircraft of a given type is much cheaper than operating a few. Nor does it mean that operating many routes is chapper than operating a few.

However, an airline that operates many routes can be obstructive on the transfer of tickets, can use predatory pric-ing or scheduling, can bias its computer reservation system and can exploit loyalty inducements to ensure that competi-tors never achieve the traffic density to enable them to

lower their costs.

The competitive strategies of an airline are good news if they offer travellers lower fares in the long run or better service. They are bad news if they work mainly to raise com-petitors' costs or obstruct its

ability to provide a service.

Most of the strategies that
large size makes possible are of
the latter kind. Evidence from the US does not suggest that restructuring which dimin-ishes competition yields com-pensating benefits of scale. A study by Steven Morrison and Clifford Winston for the Brook-ings Institution found that mergers that reduced the num-ber of airlines serving a routs from two to one would, on average, raise round-trip fares by \$80, or 32 per cent.

• Congestion: It is becoming evident that the manner in which facilities are allocated is at least are important as here.

at least as important as how much capacity there is, At present take-off and land-

ing slots at congested airports are allocated by committees dominated by incumbent carridominated by incumbent carri-ers. The system acts as a seri-ous barrier to entry by carriers that are not already part of the charmed circle. It creates incentives for takeovers moti-vated purely by the desire for access to alots rather than any intrinate efficiency gains. And because it falls to charge carri-ers, for the congestion costs

they impose on others, it biases the planning of route networks towards more "huband spoke" types (and therefore more indirect flights) than

congested Europe can afford.
There is no real substitute
for a system of congestion pricing that allocates slots to those
carriers that can use them most efficiently. The slots need

to be auctioned. Regulatory protection has allowed Europe's airlines to get away with high costs for many years. Several studies have shown them to have productiv-ity levels much lower than those of comparable US carriers. Francis McGowan and I (in Economic Policy, October 1989) have found wage and overhead costs to be much higher than those of US carriers (see table).

Overstaffing has also been common. We found that in 1987 the eight top European carriers had 2.9 times as many non-flight staff as flight staff, com-pared to an average of 1.7 for the nine main US airlines. The difference does not seem to be related to scale. Even this does not take account of the fact that European flight staff have lower yearly workloads than those in the US. It is hard to say to what degree differences in service quality compensate for this discrepancy, but Euro-pean travellers have little choice in the matter. British Airways emerges from many comparisons as considerably more efficient than its large European competitors, but less officient than most US carriers. The dismantling of barriers

to the challenging of Europe's airline cartel is welcome. But many airlines are busy erecting new barriers without waiting for the old ones to fall, if regulators listen to spurious arguments about the benefits of size and the unimportance of reductions in competition, or ignore signs of the anti-com-petitive effects of airport con-gestion, the brief threat of a more competitive industry will have been banished, and Europe's airlines will sink back into a grateful sleep.

The author is Director of Studies in Economics in Chur-chill College, Combridge,

US/EUROPEAN COST COMPARISONS (1987)								
AIRLINE	Labour Cost	per person per annu	(\$0000s)	Indirect costs as				
	Pliets	Other cockpit	Cabin crew	% of total				
Eight US majore	92	40	28	51.6-57.9				
BA/BCel	65	48	19	63.1				
Sabene	n/4	122	39	88.6				
Luthemea	n/4	180	40	n/a				
Iluthemea	109	80	37	65.7				
BAS	n/a	103	41	62.2				
Alitelle	2/4	93	59	58,7				

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### Danger in exchange rate constraint as a dominant policy

Sir, Samuel Brittan ("Con-sumer wants it now," May 17) argues that "the British consumer is not out; he is hardly even down," and wonders why "domestic spending still rises so quickly, bringing either inflation or payments deficits or both." He argues that financial der-

egulation was the basic spark and that "the peculiar struc-ture of the British housing markets boosted the effects of deregulation ... but with the important exception of the switch from the rates to the poil tax, the underlying hous-ing distortions have long been

I am pleased that, so far, we are in entire agreement. He might even grant me the rider that the peculiar structure of the British housing market tends to amplify not only the effects of deregulation but also of income growth and tax cuts. Me bart combany on two major

First, he argues that the

investment boom involving both the enlargement and the modernisation of business capacity." But what kind of business investment? As I writes in which is the second of th showed ("A pattern biased against trade," February 19) the available evidence suggests that this expansion of capacity was blassed over the extension of capacity was blassed to be a control of the cont of the economy which contrib-ute relatively little to the bel-ance of payments. Nor did gov-ernment investment in the infrastructure or education compensate. As we are all now painfully aware, the reverse

was the case.

The implication is that the whole economy chose consumption now at the expense of future living standards. Unfortunately, the squeeze on living standards will not be confined to the shareholders in failed or poorly performing estate agencies, retailers of consumer durables or even shareholders in the clearing. banks, more than 100 per cent of whose funds are invested in UK commercial property developments, where bankruptcles

The second issue on which we disagree is on policy. He praises my proposals for their virtues in improving the allocation of recovery and labour cation of resources and labour mobility but asserts "there is no assurance that any feasible version of them could have stopped a lending boom." For the record, my policy package has four parts:

• Bring back a residential

property tax or introduce a land tax with annual indexation to house or land prices and appropriate allowances for those with low cash incom • Restrict mortgage interest tax relief (for example by limiting it to once only and for eight years for each burrower).

• Tighten capital adequacy ratios on banks and building societies as partial compensation for the greater asset price volatility induced by financial

liberalisation.

• Use sticks and carrots to encourage local authorities and other public or quasi-public bodies to release land for early housing development, espe-

cially for low income groups.

If his criterion for feasibility is what Mrs Thatcher finds acceptable, his assertion is, of course, convex but in a trivial sense. Our research on what drives house prices suggests that such a package would have been very effective in cur-tailing the ratio of house prices to income without worth. to incomes without resorting to massively high interest rates. Most of the elements in this package I proposed in a 1986 FT article (October 23) which warned in strong terms of the consequences for con-sumer expenditure, inflation and the trade balance if the

house price boom facilitated by financial Hieralisation was not While I share Mr British's concern for an exchange rate constraint to be an important part of a credible anti-inflationary strategy, I believe now as I did then, that it is dangerous to rely on it as the dominant



## FINANCIAL TIMES

Wednesday May 30 1990



**EC/JAPAN TALKS** 

## Bilateral working group agreed

By Tim Dickson in Brussels

JAPANESE and European Community ministers agreed in Brussels yesterday to develop political relations and to set up a new working group on bilateral trade.

The first ministerial level talks for three and a half years left both sides happy with the result, though this was hardly surprising since controversial ssues such as access for Japanese cars in a single market were not seriously discussed.
With the EC's overall deficit

with Tokyo narrowing over the first nine months of 1989, trade tensions were never expected to surface in the talks.

However, Mr Frans Andries-sen, the EC's External Relations Commissioner who led the Brussels team, will have been pleased with the commitment to set up a working group "to review the present situation on bilateral trade, discuss those problems which are hindering market access, and identify bases for possible solutions that could be discussed either bilaterally or multilaterally". The reference to "bilateral"



Taro Nakayama: impetus

talks was something of an achievement for the EC given Tokyo's basic position that the multilateral trade talks known as the Uruguay Round are the

appropriate forum.

Mr Andriessen, who singled out the leather, shoe and processed food sectors as "requiring further examination", nevertheless agreed at a press



Frans Andriessen: pleased conference after the meeting

that the Uruguay Round would be the main framework. Brussels was also pleased to get a commitment from Japan that the structural adjustments which Japan will introduce in the context of SII (its Struc-tural Impediments Initiative with the US) "will be beneficial

From Japan's point of view the reference in the communique to "giving political impe-tus" to the further develop-ment of EC-Japan relations was seen as especially signifi-cant. Mr Taro Nakayama, Japan's Minister of Foreign Affairs, talked later of "building a political partnership on a global basis". Japanese officials cited co-operation over aid to eastern Europe in the Group of 24 as a model

Mr Andriessen, however, was wary of Japanese involvement in the Conference on Security and Co-operation in Europe process. "You can't exclude it but you can't be pos-

The only tense moment at the press conference came when Mr Kabun Muto, Japan's Minister of International Trade and Industry, was asked about the EC's apparent intention to take some account of Highest Property of the some account of Highest Property of The some account of Highest Property of Highest Prope take some account of UK-man-ufactured Nissans in its future monitoring of Japanese car imports. "Things made on European soil should be inter-preted as European products,"

## Kitcat & Aitken to close after 90 years

By Daniel Green in London

KITCAT & AITKEN, the London securities house owned by RBC Dominion Securities International, a subsidiary of Royal Bank of Canada, closed last night after 90 years in business and with the loss of

It is the second pillar of the British financial establishment to close this year, after Citi-corp Scrimgeour Vickers. Senior executives in other securities houses say that it will not be the last. One suggested another closure

would follow in days. BBC Dominion Securities International said it had con-cluded it would not be able to make a return on its invest-ment. Mr John Sanders, char-man, said: "A year ago it might have been viable to sell or

The closure leaves RBC Dominion Securities International with 80 employees in London involved in the trade of Canadian bonds and securi-

merge, but no one now is on the lookout for a business like

ties and Eurobonds. The overcapacity of the City of London has been recognised

of London has been recognised since the market crash of October 1987 and a shakeout in securities firms has been long predicted. Mr Sanders said: "We expected that the rationalisation [of City securities houses] would occur reasonably quickly. What we didn't anticipate was the depth of people's pockets and their commitment to the industry."

One analyst from a rival broker said Kitcat's problems had

been in marketmaking. The house only made markets in smaller companies in the leisure and transport sectors, Orion Royal Bank, the inter-national merchant banking

arm of the Royal Bank of Can-ada, bought into Kitcat in 1985. RBC's relationship with Kitcat dated back to 1903, when Kitcated cack to 1948, when fit-cat was responsible for the bank's London listing. The bank mitially bought a 29.9 per cent stake from Char-terhouse J. Rothschild in Feb-rusy 1988.

### Soviets to make version of Fiat Panda

By John Wyles in Rome

MOSCOW is to broaden collaboration with Flat of Italy by making a version of Fist's Panda small car instead of a new vehicle of its own design. This means Fiat may be involved in all three phases of Soviet plans for raising output at the Yelabuga plant, 1,000 miles south-east of Moscow, by 900,000 units by the end of the

The two sides agreed last November to launch a joint 300,000 small cars from 1994, and to discuss output of an extra 300,000 medium-sized made one big alteration in its plans, to Fiat's benefit, by deciding to use the company's engines and gearboxes in all 900,000 Yelabuga models.

In the first public confirma-tion of a second change of strategy, Mr Cesare Romiti, Fiat managing director, said Moscow had been unable to meet the costs and launch date objectives for the 850cc vehicle. "We explained that to have low costs and a quick launch, it would be better to buy a model. The Soviets chose the Panda after a lot of thought."

At Flat's HQ in Turin, Mr Romiti disclosed:

shout 21 per cent this year to Le3,000bm (\$51bm), by natural growth, and consolidation into the balance sheet of the activities of the Toro insurance com-

sales, implying an operating profit of around L5,850hn.

• He expected a five-year transition arrangement to be negotiated with Japan before Japanese car companies would have full access to the EC internal market.

internal market.

• Flat was seeking to prepare for full competition with Japanese makers on the basis of a "total quality" concept, to be applied throughout Flat Auto and to its suppliers. More market propriets in management of the propriets o agement decisions was part of this, and union representation at board level "is not

• Fiat was not considering pany and Rinascenta depart-ment store chain.

He expected profitability to stay at a current 9 per cent of any merger or exchange of equity with Pengeot of France, but did expect to deepen exist-ing operating ties. The "total

Unionists, because of their

opposition to the 1985 Anglo-Irish Agreement and distrust

of the Irish Government,

appear to have been overcome. With Unionial leaders last

week saying they were "well satisfied" with the results of their talks with Mr Brooke, it

is evident that agreement is possible on the stage at which Dublin is brought into discus-

UK Government officials are

preparing the ground for the

next stage in Mr Brooke's

quality" concept had been launched last year and was less concerned with the final product, always a quality objective, than aftering behav-iour. It was "still evolving" as a management strategy, and it was essential "the unions

become involved.

Stefan Wagstyl reports from Tokyo: Toyota Motor, the Japanese car maker, is investing Y13.2hm (\$36.3m) in two new plants in the Philippines and Malaysis. and Malaysia, and in an operations centre in Singapore, in an effort to boost car parts output in south-east Asia. Toyota is building a Y10.6hn transmissions factory in Manila, to employ 400. A Y2.6hn plant in Selangor, Malaysia, will make steering links and symbor 100.

and employ 100.

### Hong Kong will bring in workers to combat shortage

By John Elitott in Hong Kong

HONG KONG is to allow companies to import more than 15,000 skilled and semi-skilled employees to offset a serious labour shortage, which has hit the construction and service industries and some parts of

The Government believes the shortage is contributing to the colony's low economic growth rate, now around zero, and this led the executive council, or inner cabinet, yes-terday to approve the initiative despite strong trade union

There is to be no geographi-cal restriction on the nationality of the workers. Many will come from south-east Asia and probably only a relatively small percentage from main-land China.

The main aim is to fill vacancies caused by recent overheating of the economy, which was growing annually at around 13 per cent in the years 1000 90

It will also help to compen-nte for tome of the lower and of the colony's brain drain, in which more than 50,000 people are expected to leave this year. The policy is divided into three areas and starts on July 1. A scheme is being intro-duced to import up to 10,000 experienced operatives for jobs

ranging from craft workers to shop and office staff. A further 2,000 people are to be allowed into Hong Kong's construction industry for gov-ernment-approved projects such as the planned surport.

Another scheme, introduced a year ago for technicisms, supervisory personnel and craft workers, is being extended, with a fresh quota of 2,700. This is in addition to shout 2,720 amongs of 1, the about 2,720 approved in the past year out of a quota of 3,000.

Hong Kong's labour force totals about 28m, out of a population of 5.8m. The unemployment rate is only 1.7 per cent, which is well below the 2.5 to 3 per cent considered by the Government to be economically satisfactory.

Supply of new labour has Government is worried that the labour shortage will become a serious economic bot-

Previous restrictions on the percentages of expatriate employees in a company and on pay levels are also being waived.

### THE LEVEL OF LAIN The hard world

## of software

When an industry which has been enjoying volume growth of 20 per cent plus per armam begins to slow, there are bound to be problems. But as was highlighted by yesterday's nasty profit warning from Logica and the 27 per cent drop in its share price, the pain and suffering in the UK computer software business is proving far worse than many imagined. far worse than many im-

sortware britiness is proving far worse than many imagined. This is supposed to be a recession-proof industry. If it is not, its sky-high multiples can only be justified by a belief that the problems of Logica et al are not going to frighten away the strategic predators who are said to be eyeing up rivals like Hoskyns and SD-Scicon.

Logica has proved yet again that when things go wrong in this industry, they go wrong in a big way. The last time it ran into difficulties was in 1984 when it slumped from a pre-tax profit of £5.1m to a £2.3m loss. Now it looks as if it will be lucky to earn half last year's £18.8m. The problems are reasonably familiar. Once again, the US is proving a minefield for ambitious UK software companies, as are fixed price contracts. The big surprise about Logica is that it was supposed to have a better balance of business than most.

posed to have a better balance of business than most.

Even after yesterday's sell-off Logica is still on 26 times prospective earnings, and its shares are among the lowest rated in a sector which is underpinned by a cosy assumption that the duys of the independent soft-ware houses are numbered. If they are, it should surely be a buyer's market.

### Eurotunnel

The progress towards Euro-tumed's refinancing is proving almost as painstaking as the digging of the tunnel itself. Given the uncertainty about the intentions of the Japanese banks, the news that the Euro-nean Investment Bank has pean investment Bank has agreed an increase in its loan is certainly encouraging. But the news is not that wonderful. The EIB is only subscribing 2300m out of the extra £20m, a smaller proportion of the total debt than the £10m it contributed in the first round.

used in the first round.

Nor should there be rejoicing in the streets that the banks have agreed to let Eurotunnel draw down funds; they could hardly have done anything else without sabotaging the project. With the timnellin roughly on schedule, the banks would have nothing to gain from pulling out now. But given that the debt/equity balance of the package has shifted.

Since price relative to the FT-A All-Strang Index

from 5:1 to 4:1, the banks are entitled to ask for an increased

mirgin.
Whether or not to underwrite the rights issue is another question. A deep discount might smack of desperation but would be cheaper; and if timed to coincide with the breakthrough in the service breakthrough in the service tunnel, the issue might be swept forward on a tide of sentiment. The choice is roughly between a two-for-five at 400p and a two-for-three at 250p; much may depend on the latest revenue estimates which will ed to be convincingly opti-

### Kitcat & Aitken

The abrupt closure of Kitcat The abrupt closure of Kitcat & Aliken is bound to raise the unxiety level in London's stockbroking community. Kitcat thifilled some of the criteria of vulnerability in being medium-sized and foreign-owned. But it also had a good proportion of ranking analysts and was to all appearances tightly run. Apart from a small tightly run. Apart from a small bandful of dominant firms — almost all of them locally controlled — no London broking house can be sure of survival.

One indication of how long that well but will be a sure of survival.

One indication of how long this will last will be how many of those now redundant are presently re-employed. There will always be a market for analysis and salesmen of gennine ability; but wholesale dispersel to other firms, as has seemingly happened with other recent closures, is no answer to the industry's endeade problem of overnaming.

### Blue Arrow

The agreement between County NatWest and the instipensation should with luck mean the end of the whole affair for investors at any rate. County's offer — marginally improved, but still within its

original provision of 230m --will be recommended by the Institutional Shareholders' Committee to its members. Phillips & Drew had already Philips at Frew list anothly broadly agreed to match County's bems; and though it is still dragging its heels over points of detail, it is expected to come up with the goods by

Phillips & Drew's clumsy Phillips & Drew's clumsy unwillingness to compromise has left it in the plainly inequitable position of paying more than half the cost. But this is now something for the two parties to ant out between themselves, with or without the benefit of litigation. The ISC, meanwhile, has emerged from its first hig test case very creditably. Not only is cash being disgorged fairly promptly sheed of criminal proceedings. ahead of criminal proceedings but reasonable thought has been taken for the individual shareholder as well as for the institutions which the ISC priinstitutions which the ISC pri-marily represents. On a day which are the closure of yet another London stockbroking firm, there could be no clearer reminder of how the balance of power in the securities industry has swung in favour of the

### Westland

At first giance, it is no great surprise that the shares of Britain's biggest and only heli-copter-maker have underper-formed the market by 25 per formed the market by 25 per-cent in the past year. It would seem to be a prime target of any defence cuis and GKN, its ingrest shareholder, appears to have lost interest in taking it over. The 43 per cent jump in interim pre-tax profits to \$11.5m proves that it is no lon-ger a one-product company; but the longer the gap in its helicopter order book remains unfilled, the greater the uncer-tainty about its long-terms inture.

finings.

The questions over the company's defence role are less of an issue than its ownership. Freek orders for military heli-Fresh orders for salitary beli-coptens will be farthcoming eventually; indeed, Westland might even benefit from defence cuts if a reduction in troop numbers were matched by a demand for greater mobil-ity. But Westland would make for more sense as part of a bigger group, and would holk a good deal more attractive if it had a healthy belicopter order-book. This may not be as long book. This may not be as long only because a superstitious servative Government does not want its chances of re-elec-tion spoiled by another West-land crisis.

### Hopes raised for negotiations on Northern Ireland's future

By Raiph Afkine in London, Kleran Cooks in Dublin and Our Belfast Correspondent

HOPES were rising yesterday that Mr Peter Brooke, the Brit-ish Government's Northern Ireland Secretary, could soon be able to clear the way for round-table talks to start on the province's political future. British officials are cautiously confident that efforts by Mr Brooke in London, Bel-fast and Dublin to open up dis-cussions on all aspects of the Northern Ireland problem could lead to both Unionists and nationalists agreeing to

Irish officials emphasised that it was premature to talk of a political breakthrough in Northern Ireland.
There is no doubt, however, that Dublin heals Mr Brooks is making a valiant effort to

bring the various constitu-tional parties to the negotiating table.

Details have not been released of the round of "talks

about talks" that Mr Brooke has held in the past week - in-

cluding those in Dublin at the weekend. Discussions are still at an early stage, with negotia-tions on the agenda and timetable for formal takis still some

way off.
One official, aware of the dangers of raising expectations too high, described the atmosphere as of "tightly controlled."

In Belfast yesterday, Mr Brooke met Dr John Alderdice, leader of Northern Ireland's Alliance party, to brief him on progress so far. Last week in London, he met Unionist leaders for four hours and Mr John Hume, leader of the mainly Roman Catholic Social Democratic and Labour

Mr Brooke's approach has been to win backing for discusgions based on the re-examination of all sets of relations involved – including those between Britain and Ireland as well as within the province. Many of the past anxieties of

### of air controllers By Paul Betta, Aerospace Correspondent, in London THE GROWING COST of

a controversy over the pros-pect of an independent agency splitting from the Civil Aviation Authority (CAA).

shortage of air controllers in the UK to cope with fast-grow-ing air traffic.

He is likely to want to make some form of public statement – possibly to the House of Commons – and probably will undertaking to improve and modernise British air traffic have further discussions with However, Mr Brooke's tactics are to remain cautious and patient. It could be some weeks before further meetings or announcements are made.

Brooke steps warily in mine-field of Ulster, Page 10 ernisation programme.

### **MAN-Daimler** bid blocked

Continued from Page 1 The two German companies had planned to take joint man-agerial control of Enasa, which makes trucks and buses under the Pegaso name and has about 6 per cent of the European heavy truck market, against MAN's near 10 per cent. They had beaten off stiff competition from Volvo of Swe-

vehicle subsidiary of Italy's MAN has sought extra capacity for its expanding truck business, which doubled profits last year and was one of its best performing divisions.

den, DAF of the Netherlands,

## **UK** hit by shortage

upgrading air traffic control services in the UK has sparked national air traffic control The controversy coincides with concern over a serious

ing air traffic.
Airlines have faced a 40 per cent increase in air traffic control charges this year to help pay for significant new investmenta totalling £600m (\$10m) over 10 years which the CAA is predestating to improve and

Some airlines and air traffic users believe an independent air traffic control system could provide a more cost effective service. But senior CAA air traffic control officials argue that hiving off services into a separate body from the CAA risks diverting resources and energy from the current mod-

One official said yesterday: "An independent agency may seem an attractive idea on the surface, but it is less attractive when you look at it

The debate on splitting the air traffic control operations from the CAA's other regulatory functions appears to have been sparked by a Monopolies and Mergers Commission (MMC) review of the CAA's

The MMC recommendations are expected to be published in July.
The CAA's investment pro-

gramme is aimed at increasing capacity in UK air space by 30 per cent by 1996. The programme includes a new £22m air traffic control computer system, as well as the construction of a 2000m air traffic control centre in the Southampton area.

However, Mr Christopher Barrows, general manager of the CAA's London air traffic control centre, said the immediate problem was a shortage of controllers. He said the CAA, which

employs 1,300 controllers, was about 150 controllers short. Ironically, one of the reasons for the current shortage was the recommendation of the last MMC review of the CAA seven years ago when it urged a streamlining and rationalisation of CAA staff. This lead to At the same time, air traffic forecasts badly underestimated the growth in air travel and flight frequencies in UK air space, CAA officials acknowl-

edge.

Mr Barrows mid the London centre handled 1.25m flights last year and the figure was rising by about 5-6 per cent a year. An additional factor has been the increase in smaller aircraft rather than large, wide-body airliners.

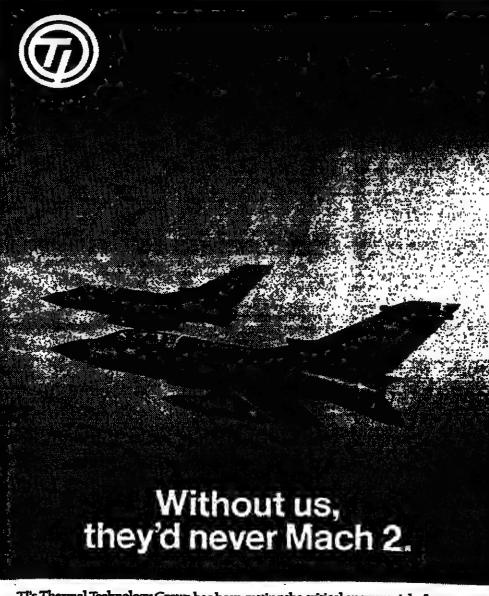
Although the downturn in the holiday charter market could be expected to provide some relief for UK air traffic in the busy summer months, Mr Barrows said the decline had been more than offset by the steady increase in scheduled BUT BOTT LOOK

As a result, traffic was now

heavy throughout the year. "If we handled 3,500 flights a day during the summer peak three years ago, we are now just as likely to handle 3,500 flights a day in January or February, he said. However, overall improve-ments in UK air traffic control is also dependent on improve-

ments in air traffic control

systems in other European



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### INSIDE

### Tyco and Wormald plan to merge

A US-Australian merger is set to produce the world's largest fire control systems group, with combined sales of about A\$3bn (US\$2.31bn). Tyco Laboratories of the US will pay US\$350m in cash for the core businesses of the Austra-lian group Wormald International. In turn, Wormald will receive a 16.6 per cent stake in Tyco which will make it the US group's largest shareholder. Page 23

Japanese airlines advance



Japan's two largest atrilines have reported healthy profit increases and improved passenger traffic for the year to March. The country's main international carrier, Japan Air Lines, raised profits by 21 per cent. its rival, All Nippon Airways, which carries 50 per cent more passengers but is strongest on domestic routes, lifted pre-tax profits before special items by nearly 70 per cent. Page 24

Launch of Commonwealth fund An equity fund of at least \$100m created to Invest in the emerging stock markets of Commonwealth countries — some of which are otherwise inaccessible to foreign investors — is to be launched today. Although the Commonwealth Equity Fund was created following a

proposal from the Commonwealth Secretariat subsequently backed by the group's finance ministers, it is to be operated purely on commercial principles. Page 26



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THE RESERVE

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Westland, the UK heli-copter group, has raise copter group, has raised first-half profits before tax by almost 44 per cent reflecting its efforts to broaden into new business areas. Turn-over alipped by 11 per cent, with sales of helicopters falling 21 per cent to make up just two-thirds of the total. Alan Jones, chief executive, said the proportion was likely to decline further. Page 28



Impehire Thoroughbreds, the Irish breeding and racing concern, suffered an operating loss of £305,000 (\$486,480) for 1989 following the death of a racehorse. Prince of Dance, partly owned by Impehire, died early last season from a turnour on the spine. As a result, Impshire took a paper loss of £2.29m in writing down the value of its horses. Page 28

Market Statistics

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Companies in this section

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Chief price changes yesterday 

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THE FINANCIAL TIMES LIMITED 1980

## Saatchi expected not to pay dividend

By Alice Rawsthern in London

SAATCHI & SAATCHI is expected not to pay a dividend to shareholders this year. The communications company, which has lurched from crisis to which has lurched from crisis to crisis in recent months, is struggling to stabilise its financial position and reduce its debts.

It is expected to announce that it is passing its interim dividend when its half-year results are published on Tuesday, Saatchi is also expected not to pay a dividend for the full year.

A decision to emit the dividend would be truical of the maracewould be typical of the manage-ment style adopted by Mr Robert

Louis-Dreyfus since he became chief executive in January. He appears determined to take speedy action on the difficult decisions needed to rescue the group founded by the Sastchi brothers, Charles and Maurice.

Earlier this month Mr Louis-Earlier this month Mr Louis-Dreyfus dismissed two long-standing main board direc-tors, Mr Roy Warman and Mr Terry Bannister. Neither of the Saatchi brothers was present at the meeting when the board voted on the dismissals.

Mr Louis-Dreyfus is working on worsest in pastworking Saat. on proposals to restructure Saat-

chi's advertising and marketing interests. He is considering plans to integrate some specialist marto integrate some specialist mar-keting companies — such as the sales promotion and design con-sultancies — into SSAW and BSB, the advertising networks. Saatchi has been operating in an increasingly competitive cli-mate since the start of its financial year. It has suffered from a severe downturn in advertising expenditure in the UK and Australia, two of its main markets. Mr Neil Blackley, advertising analyst at James Capel in Lon-don, expected Saatchi to

announce a fell in pre-tax profits from \$20m to £12m (\$20.3m) — with a loss per share of 2.4p, against earnings of 1p — in its results for the six months to results for the six months to March 31. The consensus among analysts and institutional investors is that Sastchi will pass its interim dividend and will not pay a dividend for the full year.

Mr Greg Ostroff, advertising analyst at Goldman Sachs in New York, add, "This is a conveny York said: "This is a company with serious financial problems. it does not make sense for Saat-chi to pay a dividend right now when it should be conserving

Initially analysts had expected Saatchi to pay a nominal divi-dend – a token 0.1p – so it could stay on the dividend list and retain trustes status. In recent presentations to institutions, however, Saatchi has stressed the need to use its cash to bring down borrowings, which stand at about £250m

Mr Louis-Dreyfus said he could not comment on the group's divi-dend policy. The Saatchi board will decide on the dividend at a meeting on Tuesday morning.

Share price (\$) 60

cash and repairing its balance

### Condensing **Campbell Soup Company** Earnings per share the formula for Campbell

Clay Harris and Martin Dickson on the shake-up at the US food group

B DAVID Johnson is in a hurry, and well he might be. As the new chief executive of Campbell Soup, he is stuck in the middle of a feud between members of the company's founding family – a battle which has produced a swirl of takeover speculation. Thus, it is hardly surprising

that since his appointment in January, Mr Johnson has moved rapidly to improve the lacklustre earnings record of the world's largest soup maker.

The latest unheavel came last Friday. Campbell said it would be putting up for sale businesses accounting for one-fifth of its

tibn European turnover, includ-ing several subsidiaries acquired only two years ago when it took over Britain's Freshbake Foods, the frozen foods manufacturer. The move is expected to mean a \$55m write-off. Som write off.

Mr Johnson is an Australian

With a reputation for turning

round troubled food and consumes products companies. He

cut Campbell's headquarters staff

by almost 19 per cent earlier this

month. The move, he said, was part of a "dramatic culture change" that would emphasise profits rather than sales.

The European shake-up should do the same. Many of the busi-nesses being sold are low-margin commodity products, such as fro-sen vegetables. Another is D. Lasgaroni – an up-market Italian biscuit maker best known for its Amaretti di Saronno brand which is losing money. But the cuts do not mean that

Mr Edward Glover, president of Campbell Foods in the region, says: "We see our future in Europe as being a medium-sized multinational that concentrates in niche categories or in leverag-ing the parent company's tech-nology from the US. We will seek to avoid going head-to-head with BSN, Nestlé and Unitever. We think there's plenty of room." Campbell intends to concen

Campbell intends to concentrate on markets where it is — or can organically grow to be — first or second in its chosen sectors. "Contrary to what other people think, I believe it is totally viable to be a regional producer and marketer of packaged consumer goods in Kurope," argues Mr Glover.

After the disposals, Campbell's core areas will be soup and from convenience foods in the UK, and biscuits in northern continental Europe. It will remain in contain "opportunistic" markets—gourmet-food distribution in West Germany, frozen vegetables in the Netherlands, annoted and confectionery in France and Belgum.

was the decision to keep any of Freshbake Foods, which Campbell bought for £109m (\$183m) in 1988. It is selling the UK frozen vegetable and seafood companies, as well as two vegetable businesses in Ireland, but not the core operation — meat pies, sau-sage rolls and prepared dinners. Freshbake was bought for 24 times historic earnings, a price widely seen as generous. Camp-bell believed it was worth paying,

## \$1.72 Jan 1990 Campbell has been losing mar-

to grab market share. Last year, however, sarnings were hit by two unforeseen factors. The main one was the merger of Iceland Frozen Foods and Bejam, and the waning importance in the UK retail sector of sance in the UK retail sector or such stores selling freezer goods, which were important customers. The other factor was a rise in sausage prices, which Campbell was unable to recoup swiftly emough in its own prices.

hese developments spurred Campbell to speed its UK rationalisation, It has cut UK manufacturing sites from eight to four, consolidated seven cold storage facilities into two and alimined its product. range from 700 to 355. It is also introducing more products such as frozen light quiche under the Campbell name. Un

those sold under the Frashbake name, these are priced above stores own-label brands.

Campbell had been willing to keep the seafood and vegetable operations — volatile businesses which require entrepreneurial management — as long as things went well, but now they do not look worth the trouble.

Similar arguments apply to Similar arguments apply to Lazzaroni. Campbell is number one in biscuits in Belgium, jostles

for second in France, and is a strong second in the assortments sub-category in West Germany. Lezzaroni is just too far away from these centres of strength to

from these centres of strength to fit into the strategy.

Although Europe in recent years has acted as a drag on Campbell's earnings, Mr Glover wants to prove to Wall Street that it "provides a dynamic outlet for future growth."

"Culturally, we need to focus more on organic growth to put the focus back on the brands which are the major sesets," he edds. "We need to go through a consolidation period."

Wall Street analysis welcomed the disposal plan. Ms Nomi Ghes of Goldman fachs said it was an important strategic decision

important strategic decision showing the management focus-ing on what they thought were the company's strengths. "It shows they are committed to remain in Europe and think it important enough to keep a bridgehead there."

But keeping shareholders happy will also require a great deal of work in the domestic US market, where Campbell began in the 19th century as a condensed soup manufacturer. The product was invented by J.T. Dorrance, the company's founder, in the late 1890s.

ket share in this area for years. While the company has introduced new products, and won many awards for advertising, many of its innovations have not been popular with consumers.

With this patchy record, the company has been the subject of takeover rumours. Quaker Oats,

the US foods group, was said to be interested last year.

The company's performance and the possibility of a takeover have pitted the surviving mem-bers of the Dorrance clan against one another.

Together, they speak for about 59 per cent of the shares. One party — including John T. Dorr-ance III, a reclusive rancher holds 31.5 per cent of the stock and wants to keep the group independent. But others, unhappy with the earnings record, would be more amenable to a bid. Their pressure is thought to have played a role last year in the departure of the pre-vious chief executive, Mr Gordon

So Mr Johnson has to get quick resuits. "His first priority," says William Leach, an analyst at Donaldson Lufkin & Jenrette, "is to get earnings up so the family is happy. He can think about the next century later."

### **UK** clears Ferranti, Thomson venture

By George Graham in Paris and Charles Leagbester in London

MR NICHOLAS Ridley, the UK trade and industry secretary, yesterday cleared the way for Thomson-CSF, the French state-controlled electronics group, to extend significantly its British defence activities.
Mr Ridley cleared the merger

of Thomson-CSF's sonar activi-ties with those of Ferranti International, the UK defence elec-tronics group which is recovering from an alleged £215m (£361m) fraud.

Thomson also unveiled the \$100m acquisition of Link-Miles, the UK military and commercial the UK minitary and commercial flight simulator specialist. The combination of Link-Miles with Thomson will create one of the three largest flight simulation groups in the world, along with CAE of Canada and Hughes Rediffusion of the US.

The two moves will strengthen Thomson-CSF's presence in the British defence industry, follow-ing the formation of its Eurodynamics missiles joint-venture with British Aerospace earlier this year. Thomson-CSF is also in talks with the General Electric Company over the development of the next generation of radar

Thomson-CSP's UK joint ven-tures are among the first cross-border links between European defence companies as they pre-pare for cuts in military spending over the next few years.

Plans for the sonar joint ven-ture were announced on February 8, as Ferranti was in the middle of efforts to shore up its belance sheet after the discovery of the fraud et its International

of the frank at its International Signal and Control subsidiary. The deal was then referred to Sir Gordon Borrie, the director general of the Office of Fair Trading, who advised Mr Ridley it should be cleared.

Thomson-CSF will pay £32m for a 50 per cent stake in a new company called Ferranti-Thomson Sonar Systems UK. The venture, which will have about 40 per cent of the UK market, emerged from collaboration between the two companies on three large sonar contracts, two in the UK and one in France. Ferranti, which has been seek

ing a European sonar partner for some time, said Thomson's intersome time, said Thomson's inter-national sales and marketing operation would significantly strengthen the business. Thomson's stake will be held by its submarine electronics sub-diana Sinta Formati. Thom-

sidiary, Sintra. Ferranti-Thom-son Sonar will be jointly managed with a chief executive from Ferranti International.

## Co op chairman resigns amid split with main shareholders

Mr HANS Friderichs, chairman of the supervisory board of the troubled Co op retailing group, resigned late on Monday evening after disagreeing over strategy with the principal shareholders.

Two other supervisory board members, Mr Walter Birkhan and Mr Wolfgang Freiherr von Pölnitz, also stepped down.

Mr Friderichs joined Co op at the end of 1968 to rescue the retailing chain which had collapsed amid heavy losses. He had wanted to keep the company intact, but now it looks likely to be partly broken up.

The main shareholders, Deutsche Genossenschaftsbank (DG Bank) and the Bank für Gemein-Mr HANS Friderichs, chairman

Bank) and the Bank für Gemein-wirtschaft, want to reduce their exposure to the loss-making

what dampened last year when other shareholders fulled to take up rights in an offering last year.

Meanwhile, an offer by Rewe, West Germany's largest food retailing group, to purchase 550 of Co op's 1,900 outlets was being actively considered, said Mr Helmut Guthardt, chief executive of DG Bank.

He described Co op as too

He described Co op as too amall to be able to compete effec-tively. He also said that a rival bid for a majority stake in Co op by a consortium involving Metro, the Swiss-German chain, Asko, the West German concern, and Lonrho, the UK conglomerate, had been withdrawn.

While Rowe had never pro-posed to take an equity stake in Co op, the company originally said it would acquire the entire

chain of stores, and sell those in areas where it was already well

When that offer was refused Rewe came back with plans to purchase about 550 stores in the Munich and Stuttgart areas as well as in West Berlin. Rewe declined to say how much the

offer was worth.
Co op said talks were also progressing with an East German bidder. The East German Verband der Konsumgenossenschaften (Association of Consumer Co-operatives), responding to an approach by Mr Friderichs, has expressed interest in all of Co The East German group, last year had sales worth East German Marks 40bn (\$24bn). DG Bank accounts, Page 22

## Perrier sells soft drinks division

source Perrier, the French mineral water and cheese group, yesterday concluded a long-awaited agreement to sell most of its soft drinks division to Cadbury Schweppea, the UK confectionery and drinks company.

Cadhury is to pay £125m (\$211m), for the division which, added to its existing sales, gives the UK group 16 per cent of the the UK group 16 per cent of the French soft drinks market, about the same as Pernod Ricard, but well behind Coca-Cola's 27 per

The deal includes Oasis, the hissest selling French brand of still fruit drinks, making Cad-bury the European market leader in that sector. It also includes Ball, a small still drink brand; Atoll, a fruit drink concentrate

Perrier had been looking for a FFr872m last year, out of the buyer since last September, on the grounds that it wanted to concentrate on its core activities, sparkling mineral water and Roquefort cheese, of which it is

France's main producer. But negotiations were compli-cated when Pepsi-Cola, which had shown interest in taking the soft drinks division, announced last autumn that it would end the French company's 27-year-old franchise agreement. Cadbury will pay three-quar-

ters of the price - from its hor-rowings - in cash on comple-tion, expected at the end of the month, with the rest due in mid-December. Perrier will be taking FFr1bn (\$175.5m) of the FFr1.2bn sales price as a profit in this and the French bottling rights for Gini, a sparking lemonade. Cadbury acquired the Gini brand itself as part of its purchase of Crush International last autumn.

FFr1.1bn turnover of the soft drinks division, and Perrier's group sales of FFr17.19bn. Cadbury said that some ration-

alisation and redeployment of resources was likely in the wake of the acquisition, but it was too early to say how the newly-acquired brands might be marketed lsewhere in Europe. At present only about 6 per cent of sales volume goes outside the domestic market. Perrier will be keeping its Pepsi-Cola franchise, plus Pschitt, a sparkling citrus brand and the rights to Mambo, a currently unused brand, said a Per-

The deal had no link with last February's discovery of traces of benzene in Perrier water. The FFr435m clean-up cost contributed to the French group's plunge in net profits for last year to FFr266m from FFr1.03hn in

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### INTERNATIONAL COMPANIES AND FINANCE

### DHL signs deal with Lufthansa and JAL

By Lucy Kellaway in Brussels and Robert Thomson in Tokyo

DHL International, the couries company, yesterday signed a deal allowing Lufthansa of West Germany, Japan Air Lines and Nissho Iwai, a Japanese trading company, to build up a 57.5 per cent stake in the business over a period of 18 months.

The deal, believed to be worth around \$500m, will give DHI greater fexibility in meet-ing growing demand for door-to-door air delivery. It will protect the carriers as profit-able air freight business is increasingly handled by speci-

alised courier companies.

Mr Patrick Lupe, DHL's
brussels based chief executive, hrosela based chief enecutive, said the new shareholders would change neither the management nor the company's priorities, but would help it to expand its air, hub and gate-

way operations.

The link with the carriers would allow DHL to use their long-haul flights and handling facilities, although he said that DHL would continue to use all

its existing carriers.

JAL said the partnership would not change significantly the division of labour between the airlines and courier company: "JAL and Lufthansa have conventionally focused their cargo operations on airport-to-airport transport, while DHL has handled transport needs from the airports on."

The deal was prompted by the need for "global-scale innovation in the distribution sector."

The airline is keen to broaden its role in Europe and to diversify its cargo operations. Lufthansa, JAL, Air France and Cathay Pacific plan to set up an international cargo information network.

JAL and Lotthans will such
buy a 5 per cent interest in
DHL and Middlestown, a related holding company, and Nissho Iwai will acquire 2.5 per cent. Within 18 months they will have the option to increase the stakes to 25 per cent for

DHL expects group turnover of \$1.8bn this year. JAL results, Page 32

JAL and Lufthansa and 7.5 per cent for Nissho Iwai

## DG Bank does little to alter its tarnished image

By Katharine Campbell

MR HELMIT Guthardt, chief executive of Deutsche Genossenschaftshank, presenting the 1989 accounts yesterday, main-tained that no special measures were necessary to restore the bank's position after the latest significant blow to the

hank's and his credibility.
However, he did little to dispel the impression of an embattled institution. DG Bank, the umbrella institution for West Germany's co-operative banks, and now the country's fourth largest bank, has recently been the subject of a special investi-gation by the banking supervisory authorities.

This was prompted by a dis-pute that erupted in February between DG and nine French banks over the nature of a series of bond transactions with a nombral value of DM6bn

Yesterday Mr Guthardt said that for 1989, provisions of DM346m had been necessary relating to the bond deals where DG was disputing the French claim that it had

agreed to buy them back. If interest rates remained at current levels, a further DM300m would have to be put aside this year, Mr Guthardt said. The bank had put a lower figure on the write-downs in March, partly because related transactions between the par-ent and a building society sub-sidiary, nominally worth DM1.2bn, had not then been

included. While the authorities' report pointed to significant management weaknesses within the bank, sufficient to warrant a vote of confidence in Mr Guth-ardt at the last meeting of the supervisory board, the bank's chief executive yesterday was reluctant to expand on deadle of any new control procedures.

DG has maintained it was the victim of fraud, and the controls were essentially in place. Four of its domestic bond traders have been arrested, and are currently hinted that, in addition to cer-tain stricter reporting procedures the bank would consider taping all telephone conversations made by its securities traders - a practice observed almost without exception in international bank dealing Meanwhile, high interest

rates have taken their toll on the banks earnings. Group operating profits dropped 30 per cent drop in the first four months of 1990, as partial operating profits, which exclude trading on the bank's own account, fell "somewhat more than 30 per cent" in the period

to April.

Both figures are adjusted to exclude contributions from sizable acquisitions consolidated recently. Unless interest rates fail, Mr Guthardt said he did not see room for an improvement for the full year.

The bank is also under pressure to reduce its involvement under investigation by the district attorney's office.

However, Mr Guthardt with the troubled Co on group, in which it, with BfG Bank, owns most of the shares.

### Holderbank net earnings climb 21.4%

By William Dollforce in Geneva

HOLDERBANK, the world's leading cement producing group with headquarters in Switzerland, announced yesterday a 21.4 per cent climb in consolidated net earnings to SFr428.9m (\$302m) in 1989. Group sales, realised in 26 countries, advanced by 24 per

cent to SFri.97bn. Holderbank Financière Glaris, the parent company, posted a 15.2 per cent increase to SFr75.1m in net profit. Its board proposes to raise shareholders' dividends from SFr115 to SFr125 per bearer share,

from SFr23 to SFr25 per regis-tered share and from SFr11.50 to SFr12,50 per participation

Consolidated cash flow grew by 10.6 per cent to SF1951m, with most of the profit growth generated in Europe. In the US one unit, Ideal Basic Industries in Denver, continued to run at a loss, but Holderbank cometed a reorganisation of its North American interests in March. Under the reorganisa-tion, ideal Basic was merged with Holman Inc, the US hold-

The Swiss group's capital The Swiss group's capital spending more than doubled last year, totalling SFr971m against SFr416m in 1989. Investment in fixed assets reached SFr567m, while spending on acquisitions included the takeover of HAT Hormithe takeover of HAT Hormi-gones, Aridos y Transportes in Spain and Ciments de Cham-

pagnole in France.
Of the SFr366m increase in turnover, SFr391m is attributed to higher sales by the original group, SF1325m to new acquisitions and SF1250m to exchange rate fluctuations.

### Ferruzzi group down sharply to L311bn

By John Wyles in Rome

MR RAUL GARDINTS Ferruszi group yesterday reported a L250bn (\$202.4m) fall in consolidated net profits after minority interests to L311bn on sales of L16,250bn, 11 per cent higher than in 1968.

The company said the

decline was largely due to extraordinary factors, includ-ing L159bn of losses from trading activities and higher tax payments of around L260bn. The group's gross operating

margin fell by 11 per cent to L1,974bn because of a fall in

the chemical business' profit-ability, which was not fully compensated by improvements in agri-industry, engineering construction and services. Net indebtedenses fell by 18 per cent to L8.077hm to yield a debt/equity ratio of 0.87.

## **Electrolux**

## seeks US

ELECTROLUX, the world's leading white goods manufac-turer, has made a bid valued at around SKr500m (2020) to buy the vacuum cleaner operations of Whirlpool of the US, writes Robert Taylor.

Whirlpool makes about 1m vacuum cleaners a year with an annual turnover of between \$100m to \$150m. Its sales, made through Sears Roebuck under the store brand name Kenmore, account for 10 per cent of the American market. Mr Anders Scharp, president and chief executive officer at Electrolux indicated in Febru-

ary he was interested in acquiring the Whirlpool opera-

Whirlpool is the third largest vacuum cleaner manufacturer in the US after Hoover and Electrolux, through its US subsidiary Eureka.

If the bid is successful it will ensure Electrolux becomes as strong as Hoover in the US vacuum cleaner market. But yesterday the Swedish company warned there were others interested in the Whirlpool

Ciments Français expands in Belgium

CIMENTS Français, the second largest French cement group, is to take a controlling 23.5 per cent stake in Compagnie des Ciments Belges (CCB), a Belgiam cement producer, writes George Grahem.

The French group, which has been expanding rapidly in recent months with acquisitions in Spain, Turkey and Morocco, will buy the stake of the Plaquet family and take

Morocco, will buy the stake of the Piaquet family and take over management control. It is ready to negotiate to buy out other minority shareholders.

CCB has a new works at Genrain, near Tournal, begun in 1987 and completed this year. The company sold 1.1m tonnes of cament last year in Belgium and the Netherlands, but its capacity is 3m tonnes. It had escaped to FF1250m last year.

Cimenta Français believes it will be able to expand sales up to the full 3m-tonne capacity, which CCB would have found difficult to schieve on its own.

## NEWS IN BRIEF ABB pre-tax earnings up 25% vacuum unit in first quarter

By William Dulliorce in Geneva

engineering group, yesterday posted first-quarter pre-tax earnings of \$215m, showing an advance of 25 per cent com-pared with the first three months of 1989. Group sales at \$5.1hm were

ahead by 39 per cent, boosted by the consolidation from Janusry 1 of Combustion Engineering, the US company for which ABB paid \$1.56bn last November. Excluding acquisi-tions, disinvestments and exchange rate fluctuations, sales grew by 9 per cent. Addition of a \$24m gain

arising principally from the sale of a transformer plant in Wisconsin at the behest of the US anti-trust authorities — takes the pre-tax profit to \$238m, up by 46.6 per cent over the corresponding figure for the first quarter of 1989.

Group operating earnings after depreciation climbed by 45.4 per cent to \$33m. Good profit growth is signalled in the power transmission, power distribution and financial services business segments. Com-bustion Engineering's contri-bution to the advance in operating profit could not be

ASEA BROWN Boveri, ascertained because its Europe's biggest electrical accounts are already being two accounts are already being bro-ken down according to ABB's

business segments.

But, ABB in Zurich said that after interest payments on the lossis raised to help pay for Combustion Engineering the US company would have made a negative contribution to the SZISm pre-tax group profit. Not interest charges in the first contribution are the first contribution are sufficient as the size of the

interest charges in the first quarter were \$50m against \$5m in the same period last year.

Interest expenses should be trimmed later this year. ABB has arranged to sell two Combustion Engineering subsidiaries which do not fit into its core businesses and is negotiating the sale of a third. Prices of \$520m for Georgia Raolin and \$150m for C-E Minerals have been agreed but were not booked in the first quarter.

Orders received by ABB during the January-March period totalled \$7.5m, an increase of \$2 per cent against the same

42 per cent against the same period last year. Purged of acquisitions, disinvestments and currency fluctuations, the growth in incoming orders was about 14 per cent about 14 per cent.

ABB repeated its earlier fore-cast that 1990 pre-tax earnings would be higher than those of

## High costs hit Svenska

By Robert Taylor in Stockholm

SVENSKA Cellulose (SCA), the Swedish rulp and paper com-pany, yesterday reported a 9 per cent drop in profits after financial items from SKr1.05bn (\$171m) to SKr857m for the first four months of 1990. It blamed high costs and weak price trends for the deteriora-

SGA said it upheid its earlier forecast of a decline in net profits for the whole of 1999 of ground 10 per cent.

However, Mr Sverker Mar-tin-Lof, chief executive, pointed out that the results so far this year were 7 per cent better than for the final four months of 1989.

Net sales rose by 7 per cent over the January-April period

to SXv8.650m from SXv6.00mg SCA blamed high Swedish costs for a 36 per cent fall in profits to SKr198m from SKr309m in its graphic paper group over the first four

Profits also fell 5 per cent from SKr23im to SKr230m in the hygiene paper sector with internation competition in the disposable nappy sector and a 8 per cent fall in profits in packaging to SEr207m from

SKr214m.

By contrast SCA reported a 3 per cent rise in profits in its forest and timber sector to SKr172m from SKr167m and in its energy business area of 18 per cent to SKr204m from SKr178m.

### Shares in Astra leap as drug gets go-ahead

By Robert Taylor in Stockholm

SHARES in Astra, the Swedish pharmaceuticals company, have jumped sharply this week following a decision by an advisory committee of the US Food and Drug Administration to give a clean bill of health for the company of lower the low the short-term use of Losec, its new drug in the treatment of acute duodenal ulcers.

The go-sheed from the FDA for the wider use of Loser has come much earlier than expected and represents a serious blow to Glazo, Astra's main rival with its Zantac drug. which has been raising ques-tions about Losec's safety.

Over the past six months Astra's share price has dou-bled. Since the beginning of May the price of the A shares rose 35 per cent and B shares by as much as 47 per cent. The FDA decision brought a 10 per cent jump in Astra's share price on Monday with a rise of SKr50 a share to SKr590 for A free shares and to SKr596 for B free shares and a SKr34

for B free shares and a SKIM jump in the price of A restricted shares to SKI535.
Yesterday there were modest increases of SKI4 and SKI3 respectively for Astra's A and B free shares and a slight fall of SkI3 in the value of A restricted shares. Astra now restricted shares. Astra now has a market value of SKr50.1bn (\$8.2bn), ahead of other currently successful Swedish companies Ericsson and Asea Brown-Bovert.

and Asea Brown-Bover.
Lusec has already achieved an impressive growth since it was lamnched onto the market in 1968, but it is last Friday's news from Washington that has boosted the drug's market has boosted the drug's market has boosted the Area Front and position. Initially the Food and Drug Administration author-ised that Losec should be lim-ited in use in the US to the treatment of relatively rare disorders caused by gastrointesti-

nel acid. The advisory committee of the FDA said they now agreed with the company that Losec was not associated with any cancer risk after being reastender has another tender to be sured by new data supplied by the company. Lower is sold in the US by Merck, the world's largest pharmaceutical company, under a 1861 agreement with Astra.

10 Fig.

· Fly Tilling

MERCURY SELECTED TRUST (SICAV) Registered Office: 14, rue Léon Thyes, L-2636 Luxembourg, Grand-Duchy of Luxembourg, R.C. Luxembourg No. B.6317

### NOTICE OF ANNUAL GENERAL MEETING AND OF EXTRAORDIBILITY DUNERAL MEETING

The Annual General Meeting and an Extraordinary General Meeting of Shareholders of Mercury Selected itset will be held at 14, rue Leon Thyes, Luxembourg, at 11.00 a.m. and 11.10 a.m. (or as soon as practicable thereafter) respectively on 15th June, 1990 for the purposes of considering and voting upon the following matters:

### Agenda of the Annual General Meeting of Shareholders

- To accept the Directors' and Auditors' reports and to approve the financial statements for the year ended 31st December, 1989.
- To declare such dividends for the year to \$1st December, 1989 as may be recommended by the Board in accordance with the dividend policy of the Company, and to fix their date of payment.
- To discharge the Directors from their responsibilities for all actions taken within their mandates during the year to 31st December, 1989 and to approve their remuneration.
- To re-elect the Directors holding office at present.
- To ratify the co-opting of Mr. J. M. Logen and Mr. N. Nakazawa as Directors and to elect Mr. R. O. Bernaya, Mr. E. K. den Bakker and Lord Roll of loaden to the Board.
- To decide on any other business which may properly come before the

### Agends of the Extraordinary General Meeting of Shareholder's To resolve that paragraph (3) of Article 4 of the Articles of Association be amended to read as follows:

"The Company may invest in transferable securities admitted to official listing on stock exchanges, or dealt in on regulated markets which operate regularly and are recognised and open to the public, in any member country of the European Community ("Member State"), or in any other country in Europe, Asia, Oceania, the American continents or Africa and may, subject to the Law, invest in recently issued transferable securities the terms of issue of which provide that application be made for admission to official listing on any such stock exchange, or to any such regulated

### with such modifications as may be required by any regulatory or listing

To resolve that Articles 1, 8, 13, 15, 16 and 17 be amended, such amendments involving principally the changes described in the Explanatory Note sent to Registered Shareholders with this Notice, bject to such modifications as may be required by any competent regulatory or listing authority.

Resolutions on the Agenda of the Annual General Meeting of Shareholders may be pessed by a simple majority of the votes cast thereon at the Meeting may us passed by a single importly of the votes cast treeson at the Meeting with no requirement as to quorum. Resolutions on the Agence Extraordinary General Meeting of Shareholders may be passed with a quorum of 50 per cent. of the issued Shares by a majority of 75 per cent. of the votes cast thereon at the Meeting.

### in order to vote at the Meetings:

- the holders of bearer Shares must deposit their Shares not later than 7th June, 1990 either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relative Deposit Receipts (which may be obtained from the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than 7th June, 1990. The Shares so deposited will remain blocked until the day after the Meeting or any adjournment thereof:
- the holders of registered Shares need not deposit their certificates but can be present in person or represented by a duty appointed
- Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to enrive not later than 7th June, 1990. Proxy forms will be sent to registered Shareholders with a copy of this Notice and can also be obtained from the registered office. A person appointed a proxy need not be a holder of Sharee in the Company; lodging of a proxy form will not prevent a Shareholder from attending the Meeting if he subsequently

### **Purther Meeting**

If a quorum is not present at the Extraordinary General Meeting of Shareholders a further Extraordinary General Meeting will be convened and held at the same address on 23rd July, 1990 at 11.00 a.m. to consider and vote on the Resolutions on the Agenda for such Meeting. At such Meeting there will be no quorum requirement and the Resolutions on the Agenda will be passed by a majority of 75 per cent. of the votes cast thereon at the Meeting.

Shareholders are advised that a draft (which is subject to modification, inter alia, to comply with the requirements of any competent regulatory and listing authority) of the detailed changes proposed to the Articles of Association of the Company is available for inspection at the registered office of the Company and the following places:

S.G. Werburg & Co. Ltd., Paying Agency: Conditions and Schottengesse 2. Fineburg Avenue, LONDON, EC2M 2PA

Benque Internationale à Luxembourg S.A., L-2014 LUXEMBOURG

- . . . . .

A craft of the Articles of Association as amended will be available for inspection at the Meeting. None of the directors has a service contract with

In the opinion of the Directors the alterations to the Articles of Association proposed in Resolution Numbers 7 and 8 are in the interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders vote in favour of the Resolutions set out above.

The Board of Directors

through a wholly-owned subsidiary has acquired

### FEDERAL PIONEER Limited

The undersigned acted as financial advisors to GROUPE SCHNEIDER

LAZARD FRERES et Cie

LAZARD FRERES & Co

NESBITT THOMSON DEACON INC

May, 1990

REPUBLIC OF INDONESIA

US \$200,000,000 Floating Rate Notes due 1992 in accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 31st May, 1990 to 30th November

1990 has been fixed at 8.75 per cent On the 30th November, 1990 interest of US \$444.79 per US \$10,000 nominal amount of the Notes and interest of US \$11,119.79 per US \$250,000 nominal amount of the Notes will be due against interest Coupon No. 17.

Swiss Bank Corporation Löndön Reference Agent

NOTICE

TO EXTENDED TERM DEBENTUREHOLDERS

### K mart (Australia) Finance Limited

Extended Term Debentures due 2002

As required by the terms of the Arana Hills Properties Stock Trust Deed Section 2.07 please

be advised that: 1. There has been no change in the number of properties under lease from Arana Hills Properties Pty Limited (Lessor) to Coles KMA Limited (Lessor). 2. There have been no material changes to the said Properties or the Lesse

The Stock Trustee in its sole judgement is of the opinion that no other information with respect to the properties and the Lease Agreement is useful to holders of the Extended Term Debentures at this time. NatWest International Trust Corporation (Cayman) Limited Stock Trustee of the Arana Hills

May 29, 1990

**Properties Stock Trust** 

DNESDAY MAY 30 199

## Bank of Nova Scotia 8% down at halfway stage

By Robert Gibbens in Montreal

BANK of Nova Scotla, Canada's fourth largest char-tared bank, reports a 10 per cent dip in earnings for the second quarter and an 8 per cent decline for the first half ended April 30.

High interest rates, a slow-ing economy and higher provi-sions have led to disappointing gions have set to disappointing results from the Canadian banks generally in the first half, analysts say. Some banks are still digesting special provisions made in the final quarter of fiscal 1969. Also some banks, including BNS, have relatively high supposes. high exposure to US takeover and real estate loans.

and real estate loans.

ENS, in a preliminary statement, said not profit was C\$28im (US\$238m) for the six months or C\$1.32 a share, down from C\$36m or C\$1.58 a share a year earlier. Return on equity slipped to 16.76 per cent from 19.9 per cent and return on assets to 0.69 per cent from 0.81 per cent.

The bank said sharply higher domestic interest rates and the high Canadian dollar squeezed interest margins.
Second-quarter net income
was C\$133m or 61 cents a
share, down from C\$147m or 80
cents a year earlier.

Sovereign risk provisions covered 67.5 per cent of expo-sure at April 30. Non-performing loans, net of provisions, were C\$625m, up C\$64m from the previous quarter, and equalled 1 per cent of total loans and acceptances.

First-half net interest income dipped 2.7 per cent while other income was up 3.5 per cent. Non-interest expense rose 6.9 per cent, reflecting branch Total assets at April 30 were Total assets at April 30 were C\$83.4bn, up 9.6 per cent from a year earlier. Ther 1 capital ratio was 4.70 per cent, up from 4.32 per cent, and exceeding the 1992 international guideline.

### Tektronix to | Harcourt axe 10% of workforce

By Louise Kehoe in San Francisco

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B 4 & CO

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TEKTRONIX, the US electronic equipment manufacturer, has amnounced a large-scale restructuring and workforce reduction that will result in a one-time charge of approximately \$70m in its fourth fiscal quarter, which ended on May 26 1990.

About 1,300 employees, or 9 per cent of the company's workforce will be laid off, Tektronix said. The company has already laid off about 500 workers over the past year and closed a plant on Guarnassy in the Channel Islands.

The announcement follows top management changes at

top management changes at Tektronix including the resig-nation, last month, of the com-

nation, last month, of the com-pany's president.

Tektronix's problems reflect abrinking sales of its elec-tronic test and measurement products, which represent more than half of its revenues. In the third quarter ending in March, sales of test and mea-surement equipment were down 12 per cent.

Tektronix said that it was "actively exploring the possi-bility of partnerships to enhance the market positions and performance" of its Visual Systems products which

Systems products which include colour printers and computer graphics terminals.

For the third quarter, end-ing March 3, Tektronix reported losses of \$25.5m, com-pared to net earnings of \$6.4m

## Brace names

By Alan Friedman in New York

new chief

HARCOURT. HARCOURT BRACE
Jovanovich, the financially
troubled US publishing group,
yesterday named a new chairman to succeed Mr William
Jovanovich, the 70-year-old
patriarch who has presided
over the company's rise in past
decades as well as its more
recent decline. The new chairman is My

The new chairman is Mr John Herrington, a former Secretary of Energy who has been on the company's board of directors only one year. Mr Peter Appert, an analyst at C.J. Lawrence, said Mr Herrington would have a challenging joh and said the issue at Harcourt is "whether they can generate the funds needed to keep them in business."

Analysis generally said the appointment of Mr. Herrington was less important than the likely managerial performance of Mr Peter Jovanovich, the retiring chairman's son who serves as chief executive of the debt-laden Florida business.

Justiness rioring dusiness. Little is known about the younger Mr Jovanovich, who declined to return talls yesperday. But the company has more than \$1.65m of debts and suffered a \$78.5m loss in the first three months of this ways. following a \$242.2m loss from continuing operations in 1989.

Mr Kendrick Noble, an analyst at Paine Webber in New York, said the retiring chairman had been trying to rebuild the elementary school side of the elementary school side of the textbook business, which suffered lower sales last year.

Brace's prospects as risky: "I think there is a possibility of bankruptcy, but not until 1983 when the interest load will increase dramatically as they begin to pay interest on pre-ferred stock and junk bonds."

### **Aerolineas Argentinas** privatisation postponed

MR ROBERTO Dromi, Argentina's Minister of Public Works who is responsible for the country's privatisation programme, has postponed for one month the sale of Aerolineas Argentinas, the state-run air-

An initial "pre-qualifying" round of bids from interested closed on May 31, but that has now been postponed until June tan, the US bank. Four airlines have indicated

rour arrives have mancated interest in buying the 85 per cent of Asroliness to be sold. Varig, the Brazilian company (partnered by Chase Manhattan), Alitalia (with Citibank), American Afrlines, and Cielos

del Sur, the Argentine con-glomerate which owns the domestic Argentine carrier Anstral, may now be joined by a fifth, as yet unnamed bidder. Speculation locally is that Swissair, or Iberia, the Spanish airline, may now step into the ring. Swissair already has a stake in Buenos Aires Catar-ing, which provides on-board mails for Acrolineas and other airlines at Buenos Aires interairlines at Buenos Aires international airport. Mr Dromi turned down a

similar request to extend the closing date for bids for the munications company ENTel. The mossiful bidd for the 60 per cent of ENTel on sale are therefore expected to be announced on schedule, on June 33.

### U.S. \$100,000,000

### Robert Fleming Netherlands B.V.

Primary Capital Undated Guaranteed Floating Rate Notes guaranteed by

### Robert Fleming Holdings Limited

Interest Rate Interest Period

9% per annum 30th May 1990 30th November 1990

Interest Amount due 30th November 1990 per U.S. \$10,000 Note per U.S. \$50,000 Note

U.S. \$ 460.00 U.S. \$2,300.00

Credit Suisse First Boston Limited

### INTERNATIONAL COMPANIES AND FINANCE

## Tyco Laboratories and Wormald agree to merge

By Kevin Brown in Sydney and Andrew Hill in London

TYCO LABORATORIES of the TYCU LABORATORIES of the US and Wormald International of Australia yesterday amounced plans for a merger which will create the world's largest fire control systems group, with combined sales of around A\$30n (US\$2.540n).

Mr Bob Mansfield, chief executive of Wormald, said the merger was "a perfect fit" with

merger was "a perfect fit" with Tyco, which made an unsuccessful attempt to acquire control of Wormald

"They have the strongest fire protection business in the US and were going to defend it to the hilt; we had the strongest

business in Australasia and Europe and we were going to defend that to the hilt," Mr Mansfield said.
"They said: Why don't we

look at putting the operations together?" The sheer logic of it was irresistible." Wormald will become a listed shell after the deal, but the company is retaining its Australian Optical Fibres subsidiary and a 14.6 per cent stake in Holmes Protection Group, the troubled

approximately A\$17m, equal to Wormald's debt.

US security company which has a listing on the International Stock Exchange

The two assets are worth capital repayment to pproximately A\$17m, equal to shareholders of between A\$1.80

The company will receive US\$350m cash for its core businesses, in addition to a 10.6 per cent shareholding in Tyco, making it the group's largest

wormald will also receive 5m options, exercisable within five years at US\$70, which would take its stake to 19.3 per cent. However, Wormald would have to raise fresh capital to exercise the options. The cash raised from the

and A\$2 per share. The deal follows a three-year

restructuring programme during which Wormald has recovered from losses of
A\$34m in 1967-88 to profits of
A\$23m in the first six
months of its current financial

Mr Mansfield said the deal valued Wormald's core businesses at A\$850m, representing a profit of A\$510m over book value, and a significant premium over market capitalisation before the merger

announcement of around

The deal leaves a question over the future of Wormald's 25 per cent stake in the Australian Submarine Consortium, an international joint venture which is building six submarines for the Australian Navy for A\$2.6bm.

resolved next week.

The ASC stake is excluded from the Tyco deal, and the group would only say last night that its future would be Wormald's partners in the ASC are Kockums of Sweden, the Australian Industrial

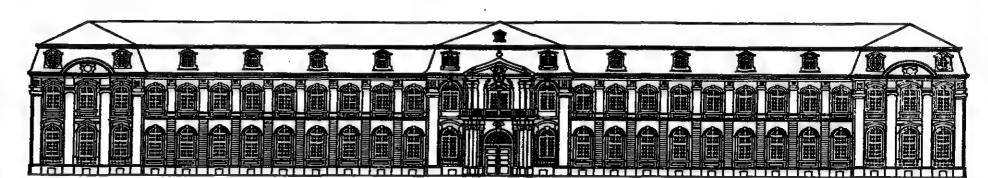
Development Corporation, and Chicago Bridge and Iron of the

The joint venture partners and the Australian federal government have a veto over the disposal of the stake. The merger proposal is also

subject to regulatory and shareholder approval. Holmes Protection announced yesterday in London that the 5.52 per cent stake in the company which apparently changed hands two weeks ago was a transfer between two nominee accounts controlled by Fidelity Special Situations Trust.

Stock market launch advertisement. Sale of shares begins today.

## Villeroy & Boch Culture · Tradition · Continuity · Quality



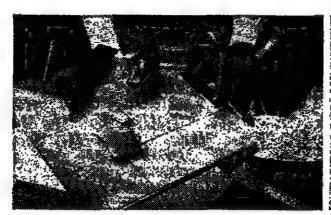
The history of Villeroy & Boch spans every phase in the emergence of modern industrial society.

Today, the Villeroy & Boch group with its combination of progressiveness and tradition, is aware of its role as a public limited company of European stature.

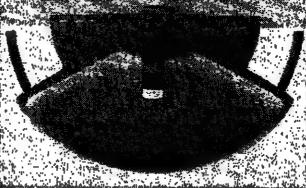
Going public is a logical consequence of our systematic expansion and our success on new markets around the world.

The Old Abbey as Mettlach on the Saar Head Office of Villeroy & Boch AG

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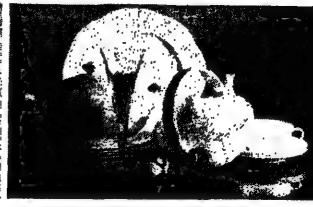
Villeroy & Boch, with over 12,500 employees, is Europe's largest manufacturer of high-quality ceramic products. Our leadership builds on outstanding achievement in both creative design and advanced production technology. And our expertise in working with ceramics constantly opens up fresh scope for innovation in tiles, sanitary ware and tableware.



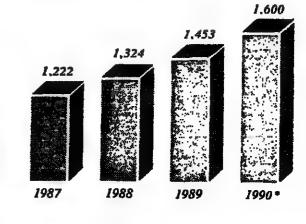
Benefiting from high levels of consumption as well as extensive building and renovation activity, Villeroy & Boch continues to operate in a favourable economic environment.

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### INTERNATIONAL COMPANIES AND FINANCE

## IBJ shuffles board ahead of turf wars

By lan Rodger in Tokyo

INDUSTRIAL BANK of Japan (IBJ), one of Japan's largest and best known financial institutions, has shuffled its top executives in preparation for a round of turf wars expected in the Japanese financial industry in the near future. Mr Yoh Kurosawa, deputy

president since 1984 and an outspoken expert on Latin American debt problems, is to become president, succeeding Mr Kaneo Nakamura, who will become chairman.

Mr Kisaburo Ikeura, the present chairman, will remain on the board as an adviser, and Mr Hideo Ishihara, managing director, becomes deputy presi-

IBJ is the largest of Japan's

three long-term credit banks and has the broadest range of clients throughout Japanese industry. It also has a large presence abroad, particularly in the Euromarkets through IBJ International, its London

Althoug Tokyo bankers were not expecting a shuffle at IBJ until next year, Mr Nakamura said the board decided to get ready for structural changes in Japan's financial system. Securities and banking sec-

tors are now segregated by law, as in the US, and banking itself is divided into trust bank, wholesale and retail groups. Negotiations aimed at break-

ing down these barriers are reaching an advanced stage.

## Japan building groups up strongly

contractors have reported huge increases in profits, as the effects of the boom in domestic private sector capital spending continue to expand, writes Ian

Ohbayashi, the company which bought the former head-quarters of the Financial Times in London, said building construction revenue jumped 29.6 per cent to Y848.2bn (\$5.7bn), while revenues from civil engineering grew 15.3 per cent to Y261bn.

The company has raised its annual dividend from Y6 per

share to Y7 per share and is forecasting a further Y1 per share rise for the current year. Pre-tax profits are also expec-ted to grow substantially this year, up 28 per cent to Y65bn. Kajima said construction division revenues rose 14 per cent, reflecting brisk demand

JAPANESE CONSTRUCTION COMPANIES Parent company results, year to March 1990 1,419.8 + 14 Kalima 25.9 +74 23.0 +78 1,406.0 +10 56.7 +33 1,100.2 -1,151.9 +21 Kumagai\* Ohbayashi "Year-end company

current year to Y43bn.

Tokyo collapsed.

It said it anticipated little

negative impact from its dis-

qualification as a tunnel builder following an incident in January in which a railway

tunnel it was constructing in

· Recruit Cosmos, the prop-

for office buildings. Urban rise in pre-tax profits in the redevelopment revenue rose 20 per cent, but civil engineering sales fell 13 per cent. Pre-tax profit this year is expected to rise 12.4 per cent to Y90bn. At Kumagai Gumi, sales and profits were substantially

ahead of the previous 12-month period, but no specific compari-sons were made because of a change in year-end. The com-pany is projecting a 4 per cent

A Report to Business and Financial Leaders.

tex profit of Y17.59bn (\$117.5m) for the 11 months to March, compared with Yishn for the previous full year, Robert Thomson adds.

Sales rose 11.5 per cent to Y391bn, with sales of condo-minimus still strong, although government pressure on real estate speculation generally has flattened the margins on the land portion of develop-ments, and higher interest rates have hurt earnings. Recruit, listed on the

over-the-counter market, is part of the Recruit group, whose executives have been indicted on charges of having attempted to bribe politicians and business leaders with offers of low-priced, pre-listed stock in the real estate com-

erty company at the centre of Japan's Recruit political scan-dal, yesterday reported a pre-The company expects sales this year of Y430km, and a pre-tax profit of Y21km.

Number 1 in a Series..

## Airlines cautious in spite of sharp rises

By Clay Harris in Tokyo

JAPAN AIR Lines and Ali Mippon Airways, the country's two largest strines, yesterday reported healthy increases in pre-tax profits and pessenger traffic for the year to March. However, they forecast smaller advances for the current II

months.

JAL, Japan's main international carrier, achieved pre-tax profits of Y52.7bn (\$352m), a 20.8 per cent increase over the 1988-89 result. It suid it expected intensified competition in the current year, especially in the Asia-Pacific region.

Mr Susumi Yamagi will step down as JAL's president on June 28 to become vice chairman concentrating on external affairs in Japan and overseas. He will be succeeded by Mr Matsuo Toshimitsu. ANA, which carries 50 per

cent more passengers than its rival but is strongest on domestic routes, lifted pra-tax profits before special items by 69.5 per cent to Y31.5bn.
Sales at JAL topped Y1.00bn

for the first time, ending 13.3 per cent higher at Y1,060bn. Because of a Y5.12bn long-term tax provision, net income fell by 4.4 per cent to Y16.57bn, or by 44 per tent to 1163/60, 67 Y106.75 per share. Dividends were unchanged at Y50. ANA increased its dividend.

to Y5 from Y4 on net income that more than doubled to Y1500 or Y10.53bo per share. It carried 30.47m passengers.

a 10.7 per cent increase. The number carried by JAL rose by 13.3 per cent to 21.71m. JAL's average load factor, the proportion of seats filled. rose by 1.2 points to 74.3 per cent, the highest since privati-sation. ANA saw a 25.6 per cent surge in international passengers carried as it expanded its network, but the load factor to be per cent surgery to 72.4 on those runtes slipped to 72.4 per cent. Within Japan, it rose

5 points to 68.8 per cent. • Japan Air System, formerly Ton Domestic Airlines, nearly doubled pre-tax profits to Y6.54bn (\$43.7m) on revenues of Y215.9bn. Net income rose by 42 per cent to Y2.22bn, or

by 42 per cent to Y2.22m, or Y107.48 per share.

• Yamato Transport, Japan's leading parcel delivery company, showed an earnings setback in its March year which, it said, reflected a rise in personnel and other costs, Our Financial Staff writes.

Group net profits were Y4.07bn, down from Y5.55bn, drawn from a parent company

drawn from a parent company pre-tax result of Y8.56bn against Y10.39bn. Worldwide revenues rose 17.6 per cent to Y400bn.

### Skin care sales boost Shiseido

By Clay Harris

STRONG SALES of anti-ageing skin care products helped Shis-eido, Japan's largest connetics group, to achieve pre-tax profits of Y34.52bn (\$230.6m) on sales of Y456.35km in the year

Pre-tax margins improv 7.56 per cent from 7.26 per cent in the previous four-month accounting period when Shis-eido changed its year-end to coincide with those of most other. January companies other Japanese companies. Other comparisons were thus

eldo reported pre-tax profits of Y27.71bn on tornover of Y326.23bn. Net income was Y10.78bn, or 38.07 per share, on which dividends of Yil are

At the parent company level

The ments were the first to include Dublin Industries, a New Jersey-based cosmetics manufacturer Shissido bought in August. Shiseldo forecast unchanged dividend for the current year, even though it

### Fanuc lifts profits by 38.8%

By Cer Financial Stati

FANUC, the prominent Japanese maker of numeri-cally controlled equipment for machine tools, pushed up pre-tax profits 38.8 per cent in the year to March to reach 766.05bu (\$441.7m).

It attributed the rise to strong capital spending within Japan. However, the company is forecasting profits before tax in the carrent year of

Yes. She.

This implies a slowing in growth to only a tenth of the previous level.

Sales at Y175-1km were up

Sales at 1175-108 were up 19.5 per cent and are projected to reach 7187/m this year. The dividend, enhanced by VI at the halfway stage, totals YIS per share against Y27. It is being pull from net examing of Y145.68 compared with Y278.

Tool and la 21.8 per cent to Y141.5bn, while those of integrated automation systems rose 11.3 per cent to TSS.Sbn.

profits to rise to Y38im on sales of Y500bm, and estimates parent company heats and do not entirely reflect Fanuc's recent strong expansion abroad.

### Oji Paper hit by rising fuel costs and falling yen

By Robert Thomson in Tokyo

OJI PAPER, Japan's largest oJI PAPER, Japan's largest paper manufacturer, yesterday announced a 13.3 per cent fall in pre-tax profit to Y40.89bn (\$278.1m) for the year to March, as companies in the industry were squeezed by a weaker yen, higher fuel costs and rising interest rates

fuel costs and rising interest rates.

Sales rose 11.5 per cent to Y468.9bn, with the figure improved by the absorption of Toyo Pulp in April last year and the continued strength of domestic demand. Estrings, however, were also hurt by higher distribution costs.

For this year, sales are expected to rise 6.6 per cent to Y500bn, though pre-tax profit is expected to fall by 19.3 per cent to Y33bn because of con-

tinuing increases in the cost of fuel and materials.

Daishowa Paper, the largest of the paper makers not affili-ated to Gil, reported a 19.2 per cent increase in pre-tax profit to Y19.1bm, after sales of secu-rities holdings compensated for a 22.1 per cent fall in operating a 22.1 per cent fall in operating

profit.

The company has come into prominence this month with the record prices for Van Gogh and Renoir paintings paid by its honorary chairman, Mr Ryoei Saito, whose family exer-cises great influence over com-pany policy.

Daishowa's sales last year rose 3.1 per cent to Y344.9bn, and the company expects sales this year to rise to Y378bn, while pre-tax profit is expected to fall to Y15.1bn.

Nation to Notebolden

Security Pacific Australia Limited (Incorporated with Smithed Sphilly in the Australian Capital A\$60,000,000

teed Retractable Notes Due 1995 Unconditionally guaranteed as to payment of principal and interest by Security Pacific Corporation (Incorporated with limited liability in the State of Delaware, USA)

In accordance with provisions of the Notes, notice is hereby given that the new Rate of Interest for the remaining five year period commencing 27th June 1990 to 27th June 1995 will be calculated in accordance with the following formula:

 $Y = \left[ (1 + \frac{TULS}{200})^2 - 1 \right] \times 100 - 0.20\%$ 

TULS = Five (5) year semi-annual Australian Dollar Swap bid rate, expressed as a percentage, (Actual / 365) quoted on the Reuters Screen TULS' page (Tullet & Tokyo (Australia) Pty. Limited, Interest and Currency Swaps) as at 3.00 pm (Sydney time) on 21st June 1990. Annual coupon expressed as a Yield to

The actual rate will be published in the "Financial Times" on 22nd June 1990.

Noteholders are hereby reminded of their option to elect to redeem any Note on 27th June 1990. The procedure for redemption is described in Condition 7 (C) of the Terms and Conditions to the Notes.

Security Pacific Mational Bank, London-Agent Bank 30th May, 1980 Security Pecific Marchant Bank is the huniness nome of Security Pacific National Bank, a member of The Securities Association.

CHARBRARRAR

## In fact, we wrote the book.

If you are considering U.S. or Canadian markets for your institutional investments, you should talk with these men: Donald Coxe, Justin Mamis, David Prince, Lap Lee. Senior investment strategists at Gordon Capital, who focus their global expertise on North American markets. And co-author this book.

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### Cordon Capital, A Rands-On Approach

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### Sordon Capital Tops Teresto Stock Exchange

Gordon Capital has topped the Toronto Stock Exchange for 5 of the last 7 years. The other 2 years we placed a humble second.

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### Gordon Capital.

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and 75% of preferred share underwritings by dollar volume in 1989.

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And with our real estate partner, Gordon and Young, we continue to play a significant role in North American real estate and property development markets.

### **Our International Presence**

Our dominance on the home front has enabled us to look well beyond the horizon. On the international scene we have streng-

thened our presence by expanding our offices in New York, London and Paris. And by entering into associate agreements with Konomi Inc. of Tokyo and The Bayshore-Pacific Group of Taipei.

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Gordon Capital is thoroughly committed to a strong international presence. If you know the history of our commitments, that will mean a great deal.

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Because when it comes to investment in North America, we continue to write



### **Gordon Capital** Corporation

Prepared to Seize the Moment

Toronto Montréal Calgary Vancouver New York London Paris. Represented in Tokyo Taipei

By Stephen Fidler,

AN EQUITY fund of at least \$100m created to invest in the emerging stock markets of Commonwealth countries -

some of which are otherwise inaccessible to foreign investors - is to be launched today.

have said they intend to commit \$50m to the fund, while a further \$50m will be underwritten by Nikko Securities, the Japanese securities house, reflecting in part the Japanese interest in such investments.

reduced as investments are made in other Commonwealth countries. The commitment to India is expected to change lit-

Of the 45 developing countries in the Commonwealth, 16

There are remit itions on investiga investment in most of these countries, many of which it would be impossible

to invest in. As part of their encouragement of the fund, finance ministers agreed to open their markets to invest-

Correspondent

## utious in

ONESDAY MAY 30 199

rp rises

reflecting in part the Japanese interest in such investments.
The fund will initially commit about 40 per cent of its resources to India and a further 40 per cent to smaller capitalisation issues in Malaysia.
The investments in Malaysia — the best capitalised and most liquid market among those eligible — will he reduced as investments are

Fanue lifts profits by 38.8% Car Financial Sea A process

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ment.

The found manager will be Batterymarch Canada, which has specialised in emerging markets, and the placing agent for the securities is Barclay de Zoete Wedd, which is sponsoring the fund's London listing. The fund, with an intended life of 10 years extendable to 14 years, is being aimed at institutional investors looking for long-term capital growth. long-term capital growth.

If the fund is successful in taking advantage of the growing interest among institutional investors in emerging equity markets, the sponsors are expecting further funds to be launched. The Commonwealth is also investigating. wealth is also investigating

the possibility of establishing a venture capital fund. A pathfinder prospectus points out that the Commonwealth developing countries have experienced better growth than most developing countries over the period 1978-88. But it says that 1978-88. But it says that investment in some countries may be adversely affected by any delay in securing investment relaxations, and it warns that liquidity of many of the markets is limited.

### Gordon Capital in 10-day ban on principal trading Dy Herrard Sknon

THE ONTARIO Securities Commission has imposed a 10-day principal trading ban on Gordon Capital, one of Canada's most aggressive securities dealers, for contravening takeover and insider-trading rules.

The ban, unprecedented in the Canadian securities industry, stems from Gordon's failure to disclose its acquisition are to disclose its acquisition of 40 per cent of the convertible preference shares of III. Industries, a small Ontario automotive parts maker, in

OSC rales require investors to disclose purchases of 10 per cent or more of any class of shares. The commission said that, as a result of Gordon's lack of disclosure, public share-holders were "seriously misin-formed" about the market in

ITL shares.

A senior Gordon trader has been banned from principal trading for five days. Gordon has appealed against the ban, which it called "unwarranted and extreme." The firm maintains that it broke the rules

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POLLY PECK HITL FIN 6.14 96

GUEBET HYDRO 5.08

SKADDINANSKA ERSK 6.1/2 95

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WORLD BANK 6.14 92

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inadvertently. The ban is due to take effect on June 18. Gordon claims to account for between 15 per cent and 20 per cent of all trad-ing on the Toronto Stock Exchange, with about half the deals on its own account.

The penalty reflects frustration among securities regula-tors about some of Gordon's in the same of the activities. The firm, which keeps a low public profile, has been reprimended or fined for teanours several times

in the past two years. The OSC said that Gordon's ition "has its rewards, and also carries with it a corresponding responsibility for the highest level of regulatory

### INTERNATIONAL CAPITAL MARKETS

### Equity fund Banks hope Yemen unity set up for will speed loan repayment emerging exchanges

INTERNATIONAL banks and

exporters are waiting to see if this month's merger of the two Yemens will help to impose financial discipline and so resolve the problem of severe Yement commercial payments arrears.

Yemen's reputation has been tarnished by the North Yemeni Central Bank's failure to honour its funding commitments for some \$500m worth of due letters of credit (LCs) prepared by Yemeni and foreign banks. Total short-term debt is estimated at \$700m.

tors — is to be launched today.

Although the Commonwealth Equity Fund was cresited following a proposal from
the Commonwealth Secretariat
subsequently backed by the
group's finance ministers, it is
to be operated purely on commercial principles.
Us institutional investors
have said they intend to com-A 12-month, \$150m resched-uling agreement signed at the start of the year with foreign banks, including Indosuez, Arab Bank and Bank of Credit and Commerce International, is proceeding with minor delays. These banks, which honoured their commitments to their clients, were given a 15

per cent down payment on the money owed to them by the Central Bank for sight LCs, and have just received their April instalment.

April instalment.

However, they are still angry because the Central Bank, having caused the problem by failing to pay on time, is demanding more Yemeni riyals in exchange for its dollar payments following a 20 per cent devaluation of the riyal in February. A further devaluation is rusry. A further devaluation is

Difficulties faced by the local state-controlled Yemen Bank for Reconstruction and Develfor Reconstruction and Devel-opment and its clients are more serious. The bank failed to pay an estimated \$300m to \$350m of matured LCs on time and refused to sign a resched-uling of the Central Bank's unpaid commitments to it on the texts of found The Yemeni authorities -

whose embarrassing shortage of dollars appears to be the result of over-estimating result tance income and oil revenues

- are disbursing some dollars
to Yemen Bank to pay part of
its LC commitments, and bankers in Sanaa reckon that Yemen is determined to meet its obligations.

Exporters which failed to have their LCs reconfirmed by a bank in their countries have a bank in their countries have flocked to Sanaa to plead with the Yemen and Central banks. Bankers say that Yemen's financial health will be tested when it has to pay large sums for deferred LCs. For some of these acceptances the Central Bank has delayed payments for the year as part of its reacheduling arrangements. One foreign bank, for example, will be owed some \$20m early next year for its funding of imports of petroleum products.

### Japanese banks' capital hit by stock market fall

JAPANESE banks' capital bases were hit by the sharp decline in the Japanese stock market earlier this year, according to figures for the year to the end of March. The setback for share prices decreased the value of unrealised profits on the banks' securities portfolios. Some 55 per cent of the value of this profit

have or are shortly expected to have officially sanctioned stock exchanges — Malaysia, India, Pakistan, Zimbabwe, Nigeria, Jamaica, Bangladesh, Kenya, Sri Lanka, Trinidad and Tobago, Barbados, Botswana, Cyprus, Ghana, Manritius and Papua New Guinea.

There are reprint the para an area. is included in the banks' capital, under the Bank for International Settlements' rules.

Six of 15 leading banks posted reductions in the ratio of capital to assets. Others would have done so had they not raised large amounts of new funds on the stock market before the shake-out.
Four banks failed to make

the most severe test of capital adequacy — the standards the BIS intends to apply after 1982. This is one bank less than in September last year. The new list includes the Industrial Bank of Japan, the top long-term credit bank. Banks may find it more diffi-cult to boost capital by raising funds because of uncertainty

### CAPITAL RATIOS OF 15 TOP JAPANESE

market his w								
	March	Sept						
	1990	1983						
Sumitomo	8.44	8.9						
SERVIN	8.50	7.57						
Fuji	8.25	8.08						
OKB	8.30	8.20						
Viitsubishi	8.40	9.12						
Mitsui Taiyo Kobe	7.10	•						
Tokai	7.80	7.38						
Delwe	8.40	8.50						
Cyowa	8.80	8.10						
Saltama	8.30	8.00						
<b>Takugin</b>	8.30	7.10						
Bank of Tokyo	8.00	8.10						
BJ	7.80	9.00						
TCS	8.20	7.10						
Nippon Credit Bit	7.30	7.20						
Not available								

in the stock market and the particularly weak performance of bank shares during this year's turnoil.

As a result, banks expect to have to cut the rate of asset expansion from last year's levels of about 20 per cent to around 10 per cent or below.

FT/AIBD INTERNATIONAL BOND SERVICE ..

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STRAIGHT BORDS: The yield is the yield to redemption of the rold-price; the asympt instead in in millions of currency units among for where it is in billions. Change on weak without over price a week earlier.

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The Fluorial Times Ltd., 1990. Reproduction in whole or in part in any form not permitted by Asymptotics of International Board Dealers.

PROTABLE AT THE SECOND SECOND

### Tax doubts over trading in LDC debt addressed dy Stephen Florer

AN AMENDMENT has been proposed to the UK's Finance Bill to try to ensure that UK stamp duty is not charged on secondary-market trading in London on Third World debt. Mr Tim Smith, the Conserva-tive MP for Beaconsfield, has tabled the amendment, follow-ing claims that the development of the market in London had been inhibited by doubts about whether stamp duty was

payable.
These doubts have often resulted in assignments of sovereign debt being executed in

New York.

Mr Don Draper, senior stamp duty specialist at accountants and management consultancy Price Waterhouse, said it was anomalous that under current when the exemptions for many rules the exemptions for many categories of debt did not cover all categories of sovereign debt. He doubted whether the Treasury intended to charge stamp duty on this type of trading, "but this does seem to be the position as the law now stands."

### 1992 REDRAWING THE MAP OF EUROPE

The Financial Times proposes to publish this survey

2 JULY 1990

For a full editorial synopsis and advertisement details, please contact;

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\*\*Saterest payable on 30th \*November, 1990 will amount to ¥3,352,359 per ¥100,000,000 principal amount of the Notes. The Long-Term Credit Bank of Japan, Limited Tokyo

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SPI 000540 TO SPI 000545



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### INTERNATIONAL CAPITAL MARKETS

US DOLLARS

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Japan Highway Public Corp(s) 
Uniterer Capital Corp.(c)

AUSTRALIAN DOLLARS Shell Australia(a)

Austria, Republic of(a)

D-MARICE Nacional Financiera(a) •

AUSTRIAN SCHOLLINGS World Bank(z) •

SWISS FRANCS Inter-American Dev.Bank(b)

r-American Dev.Bank(a) 🌩

## **FNMA** expects interest rate spreads to widen

THE CHIEF financial officer of the Federal National Mortgage Association (FNMA) said yes-terday that he expected a "modest rise" over the coming year in the spread of interest rates between US mortgage-backed securities and Treesure backed securities and Treasury

Mr Tim Howard was in Europe to meet investors in the UK and Switzerland. He said the pressure would arise from continued sales of mort-gage-backed securities by savings and loans institutions and from an expected slowing of the market for collateralised mortgage obligations

CMOs are securities which repackage conventional mort-gage-backed obligations to give them specific yield and repay-ment characteristics.

He said that the expected sharp rise in yield spreads last autumn did not take place. Faced with unexpectedly high interest rates, many savings and loans institutions had decided to hold the securities rather than book a loss in sell-ing them. On top of that, a market in CMOs developed for ouicker than expected.

Some of these factors were now being reversed: he expec-ted some slowing in the CMO market. Many of the real estate investment trusts, which had heen important buyers of the riskier tranches of CMOs, had

And warnings from the Comptroller of the Currency, the bank regulator, about the dangers of such securities to regional commercial banks another important group of buyers – seemed likely to slow their demand.

He also noted that the Resohtton Trust Corporation (RTC)

the government body created to bail out failed savings and loans institutions — was and loans institutions — was under pressure to liquidate quickly some of the invest-ments it had taken over. RTC has said it intends to sell \$10bn of mortgage-backed securities — the most liquid part of its portfolio — in the second quar-ter of this year.

ter of this year.
In the second half, the RTC is expected to seek bids for its whole loan portfolios of unsecuritised mortgages. Mr. Howard said that the FNMA a public-quoted company created by Congress to ensure continued flows of mortgage funds to home buyers — was likely to bid for a substantial proportion of these mortgages. However, the FNMA, along with other prospective bidders; would insist that the RTC

a right to transfer the mortgages.
Mr Howard said this was common practice in the mort-gage market and did not amount to a guarantee on the performance of the mortgages.

make representations and war-ranties to ensure buyers it had

### Paris institution to take 70% of Bank of Namibia

SOCIETE Financière pour les Pays d'Ouire-Mer (SFOM) is to buy the 70.1 per cent share in the Bank of Namibla held by Banque Financière de la Cité de Geneva, Reuter

reports.
With assets of more than
R332m (\$125m), the bank is one of the biggest in Namibia, which recently gained indepen-dence from South Africa. The Bank of Namibia is planning to increase its nominal capital by R3m, bringing shareholders'

funds to a total of R17m, it added.

The Paris-based SFOM is associated with 14 commercial banks and financial institutions in 13 African countries. Its shareholders are Banque Nationale de Paris, Banque Bruxelles Lambert and

Dresdner Bank.
Dresdner Bank said the
Bank of Namibia was considering further expansion of the branch network, particularly in the north of the country.

FT-ACTUARIES SHARE INDICES

## developing countries use swaps

By Stephen Fidler

THE INTERNATIONAL Finance Corporation, the private sector arm of the World Bank, has signed its first agreement as an intermediary in the swaps market. This is the first in a programme which aims to provide access for writerle communics in devel.

for private companies in developing countries to the interna-tional swaps market.

The rapidly growing swaps market is sensitive to the risk of default by a counterparty, and this effectively rules out its use by companies in countries with a history of debt

syment difficulties.
By standing between the company and the swaps mar-ket as an intermediary, the IFC aims to give more borrowers in developing countries access to the swaps market as a tool for managing their liabilities.

The first agreement was with Banco Serim of Mexico and allows the bank to convert a nine-year, D-Mark denomi-nated loan to it from DEG, the German investment and devel-opment company, into US dol-lar funds. These are most in demand from the bank's cli-

The Mexican bank has established a D-Mark/dollar cur-rency swap with the IFC, which will hedge its exposure on the swap with another counterparty in the market. The IFC said it intended to bronden its intermediation role as a natural extension of the currency and interest rate swaps it arranges as part of its borrowing and lending.

### Shares in Ibusz priced at \$75.40

IBUSZ, the Hungarian travel agency which is to be floated on the stock market via share issues in Hungary and Austria, is to have its shares priced at the equivalent of \$75.40 each, Reuter reports. The issue, from June 11 to

15, will be the first major privatisation for Hungary's State
Property Agency, which plans
to raise up to \$25m by the sale
of 100 to 156 state enterprises
in the next 18 months.

## IFC to help | Issues well received in good day for Eurobonds

NEW INTERNATIONAL BOND ISSUES

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A \$200m 10-year deal for Japan Highway Public Corporation enjoyed a fine reception on the Eurobond market yesterday. Elsewhere, a series of wellpriced new issues was warmly received in one of the market's best days this year.

### INTERNATIONAL BONDS

The Japan Highway deal was launched by IBJ at a spread of 60 basis points over the equivalent US Treesury, in line with recent issues for similar credits. Despite the lack of premium, it met firm demand from Japanese investors early on and traded inside fees. After that, it quickly sold out to international

1BJ was quoting the paper as high as less 1.77 bid, but later moved the level down in line with weaker Treasuries. Towards the class the bords were at less 1.85 bid, still comfortably inside full fees and inside the secondary market spread level for similar credits. Proceeds are thought to have been swapped into yen.

In West Germany, the second deal since the 1982 debt crisis for a Mexican borrower was launched by Dresdner Bank and

13.4 - 90<sup>1</sup>2 ♦Final terms, a) Non-caffable, b) Issue Increase 2. Non-caffable, Issue price plus accrued Inter-bond from June 21. Non-caffable. matched the success of the issue for Pemez in late March. The DM125m five-year deal for Nacional Financiera, the devel-opment bank, carried an 11 per cent coupon which attracted strong retail interest that grew firoughout the day. After open-ing at 99 bid, the price rose steadily and closed at 100.10 bid, a premium to the issue level. Proceeds were not swapped, but the borrower was thought to be

1bn

125

particularly to central banks and investment managers. The lack of obvious arbitrage looking for floating-rate dollars. The Ecu sector saw two quality deals reflecting steady interest in paper offaring liquidity. UBS Phillips & Drew brought an Ecu300m seven-year deal for New Zealand with a 10% per cent coupon. The issue was reoffered by the syndicate at par, in Ecu, with swap levels imply-ing a funding rate of % point over London interbank offered with fees of 32.5 basis points on

102 100

rates, suggested that the borrower had decided to hold the funds. UBS P&D declined to Paribes Capital Markets was the lead manager of a fungible Ecul50m five-year issue for OKB

13,3% Banca Comm. Italiana

1/5 Algemens Bank Nederland

2 SBC

which met similarly strong demand. The paper was quoted comfortably inside fees at around less 1% bid.

Unilever Capital Corporation launched a fungible \$150m tranche of its existing 10-year forms all year out lease The tranche of its existing 10-year \$250m 9% per cent issue. The tranche came via Deutsche Bank Capital Markets as a bought deal handled like a block trade. At the borrower's request, the syndicate on the original deal was invited to subscribe for report. paper. The paper was offered at 98.35, above the issue price and implying a spread over Trea-suries of around 63 basis points. The World Bank's Schibn 10-The World Bank's Schiba 10-year domestic deal via Creditan-stalt had a hot reception as investors chased bonds as high as less 1.40 bid, way inside full fees. The bank last tapped the market three years ago, so scar-city value was partly behind the demand.

which met similarly strong

A Fi 200m 10-year deal for the inter-American Development Bank came via Algemene Bank Fi 250m after strong demand. The paper was trading well inside fees at less 0.65 bid. Pro-

ceeds were unswapped.

A LISOn three-year issue for the Republic of Austria was quoted by Banca Commerciale hallana inside fees at less 1.28

**Yeshnical DetailATLAS Price Sci** 

## Treasuries improve modestly following dollar upturn

top.

UBS P&D kept about half the deal and reported good sales,

By Janet Bush in New York and Stephen Fidler in London

US TREASURIES registered modest gains yesterday in sub-dued trading as dealers took a cautious stance ahead of this week's slew of economic data. In late trading, the Trea-sury's benchmark long bond was quoted % point higher for

### GOVERNMENT Bonds

a yield of 8.63 per cent while short-dated maturities stood short-dated maturities stood mostly is point higher.

These modest gains partly reflected an improved performance by the dollar, which moved above the Y150.00 level overnight in Tokyo. It sustained these levels in New York where it was quoted at Y151.25 in late business.

The weakness in bonds last The weakness in bonds last Friday, before the long holiday weekend, was parily because

the US currency slumped With little else to focus on yesterday, the currency mar-kets were expected to set the

There are two focuses of attention this week — another wedge of new issues to be absorbed and a great deal of economic data, including Friday's May employment release. The key economic indicator will be the employment release which is expected to show a which is expected to show a substantial gain in the non-farm payroll, partly because of the addition of US census workers. The market will be particu-

larly interested in seeing whether the fall in the nonfarm payroll in April is Coinciding with the employ-ment release on Friday will be the latest report from US pur-chasing managers.

Today, April leading indica-tors are released as well as new single-family home sales.

M THE WEAKENING of the yen through the Y150 level against the dollar prompted a sharp reversal of the recent rally in the Japanese government bond market. In early Tokyo trading yesterday, the yield on the benchmark No 119 bond fell to 6.88 per cent from bond fell to 6.83 per cent from
the opening 6.86 per cent in
Tokyo. But then yen weakness
sgainst the dollar pushed the
yield back above 7 per cent.
It closed at 7 per cent
exactly, compared with the
day's worst of 7.035, and
changed little in London.
In another development,
traders said they expected the
No 119 to lose its benchmark
status some time over the summer. The June anction of 10-

mer. The June suction of in-year securities will produce an issue, the No 128, which will

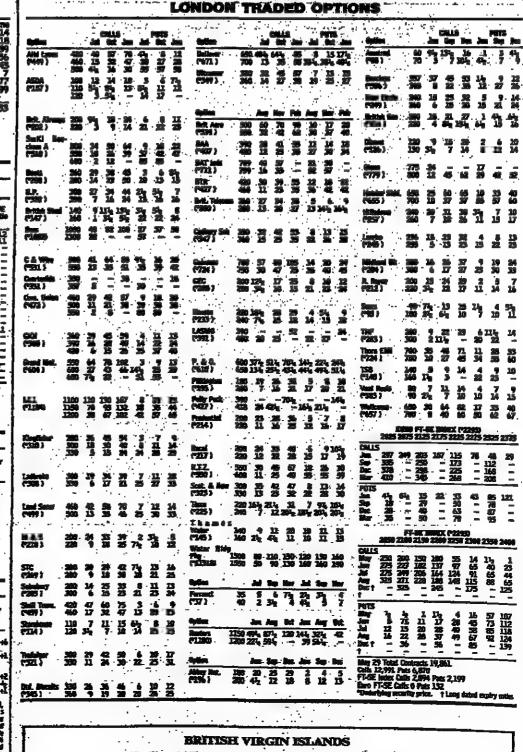
	Coupen	Red .	Prime	Change	Yield	Wook	Moni age
COLTE	10.000 10.500 2.006	4/93 5/90 10/06	93-17 90-29 82-29	+1/32 +1/32 +1/32	12.74 12.19 11.20	12.43 11.58 10.99	13.71 12.11 12.0
TREASURY .	8.475 8.750	05/00	101-16	+10/3 +17/52	8.85 5.63	8.66 8.65	9.00
PAN No 12	4.800 5.700	8/99." 3/07	57,7496 92,5317	0.001	7.01 6.64	7.08	7.96 7.13
PMANY	7.750	02/00	93.7200	0.270	8.72	8.74	8.86
UNICE BITAN	8.500 ·	02/95	96,4548 93,1000	-0.034 0.040	9.60	9.95 9.59	9.96
NADA "	.10.500	07/00	<b>26.7900</b>	0.700	11.21	11.21	11.5
HERLANDS.	7,750	01/00	92.3200	0.100	8,96	. 8.97	9.06
JSTRALIA	12,000	7/96	92.6312	0.398	18.41	13.60	18.0

prove sufficient when com-bined with the No 129 bonds bond markets were extremely from the September auction to provide a benchmark issue of exception, and prices closed exception, and prices clos hardly changed. provide a be

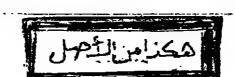
	<sup>6</sup> The Financial Times Ltd 1990. Compiled by the Financial Times Ltd is conjunction with the institute of Actuaries and the Pacuity of Actuaries										
	EQUITY GROUPS		Tuesday May 29 1990						The May 24	Wed May 23	Year ago (approx)
Fk	A SUB-SECTIONS Figures in parentheses show member of stocks per section		Day's Claange	Est. Earnings Vield% (Max.)	Green Div. Yield% (Act at	P/E Ratio (Mat)	nd adj. 1990 to data	May 20 Index No.	lader No.	Index No.	lades No.
-	CAPITAL GOODS (199)	878.92	7	13.19	(25%)	0.17	15.76	868.40	869.67	B74 45	969,70
- B	Building Materials (27)		+1.4	14.40	5,16 5,61	9.17 8.58	21.22	1083.29			
- 5	Contracting, Construction (36)	1357 93	+0.7	17.66	6.05	7.37	33.20	1348.98			
- 2	Electricals (10)	2512 63	+0.5	11.32	5.33	10.87	61.43	2499.80		2524.85	
3	Electronics (29)	JESA.74	43.2	9.78	4.00	13.73	19.33				
6	Engineering-Aerospace (8)		+1.2	13,72	4.92	8.69	9.31	467.59		470.93	0.00
7	Engineering-General (43)	480,48	+0.3	11.75	5.21	10.28	0.17	478.85		478.33	
ě	Metals and Metal Forming (6)	452.85	+1.1	ВМ	6.32	4.73	0.53	487.45		493.90	
9	Motors (16),	355.86	10.9	15.49	6.33	7.54	9.56	352.57		349.52	324.67
10	Other Industrial Materials (240	1602.42	+1.8	11.10	4.97	10.40	33.09	1573.55		1589.39	1589.60
21		1262.27	+0.9	7.50	3.96	12.93	12.56	1250.67			1213.79
22		1505.34	+1.1	10.17	3.84	11.88	12.62	1488.30		1508.58	
25	Food Manufacturing (20)	1076.01	+2.3	10.46	4.41	11.80	16.98	1061,94			1061.68
26	Food Retailing (16)	2465.03	+1.8	9.24	3.29	13.90	22,97	2421,47			
		2519.56	+0.2	6.83	2.74	17.4	20.36	2515.16		2564.42	
29	Leisure (31)	1436.46	+1.2	10.04	4.27	12 12	18.28	1409.43			
31	Packaging & Paper (12)		+0.2	12.51	5.78	10.22	11.83	585.62		582.11	579.89
32	Publishing & Printing (16)	3364.00	+1.0	9.96	534	12.65	50.81		3336.97	3342.21	
	Stores (35)	789.11	40.7	11.33	4.79	11.39	2.25	783.35	781.93	785.14	
35	Textiles (12)OTHER GROUPS (105)	490.76	-0.3	13.19	7.25	9.64		492.35		491.98	
	OTHER GROUPS (199)	1155.92 1636.25	+1.5	11.19	5.03 2.41	19.74	10.37 14.99	1141.24		1143.53 1590.09	
41		1255.36	+1.2	11.32	5.26	10.33	20.52	1239.90		1247,04	
		1629.41	418	10.35	6.07	11.61	14.41	1600.54			
43	Transport (13)	2231.52	+0.4	11.21	4.49	11.26	26.91	2222 34		2227.12	
94		1163.11	41.2	11.22	4.73	11.60	0.00	1149.22		1153.60	
47	Water(10)	1926.83	10.7	10.05	7.03	6.12	0.00	1909.83		1940.96	
		1765.91	+1.4	11.76	4.80	9.72	18.70			1722.00	
-40	INDUSTRIAL GROUP (482)	1147.04	+L1	10.98	4.59	11.19	13.32			1142.08	
		2287.08			5.32	11.13		2259.65		2299.63	
_51			+1.2	11.86			46.43				
59		1242.51	+1.1	12.10	4.69	11.10	15.95			1236 08	_
61	FINANCIAL GROUP (198)	784.37	+1.2		5.86	- :	18.66	775.18	776.01	783.75	
62	Banks (9)	128.04	+1.7	19,82	6.49	6.61	25.62	814.54	015.72	822.76	
		1351.88	***************************************	-	5.43	_		1351.29		1365.96	
66	Insurance (Composite) (6)	904.00	+1.6	-	6.22	74.95	19.43	654,44			
	Insurance (Brokers) (7)	1074.15	+0.1	8.05	6.06	16.36	27.41	1065.06			1003.25 332.14
	Merchant Banks (7)	442.50 1085.87	+0.3	B.29	4.31	15.44	4.85 8.35	440.86 1071.95	440.84 1076.35	440.55	1309.15
69			-0.2	14.50	1.27	9.04	4.54	307.91	308.43		3775
	Other Financial (25)		~0.2			7.04		1191.21		1197.72	
71	Investment Trusts (67)	1190.57	+0.3	8.98	3.26 6.66	13.63	10.73 42.87	1368.61	1375.21	1373.58	
91	Overseas Traders (5),	التاني		_					_		
99	ALL-SEARE INDEX (690)	1132.24	+1.1	-	4.83	-	16.34	1120.03		1129.04	
		Hq.	Day's Change	Day's High (a)	Day's Low (b)	May 25	May 24 2277.1	May 23	14.27 22	May 21	Var age

	FIX	ED I	NTE	RES	r		AVERAGE GROSS REDEMPTION VIELDS	**	Fri May 25	Year ago (approx	
Î	RECE	Tue May 29	Doy's change %	8	xd adj. today	xd ad). 1990 to date	1 2	British Government Low 5 years Coupons 15 years	11.36 11.07 10.97	11.36 11.04 10.95	9.7 9.3 9.1
2 2 2 3 4 1 5 4 1 7 (	ates-Liaked Ip to 5 years Iver 3 years	115.26 120.10 122.97 140.27 120.51 144.57 136.69	-0.09 -0.13 +0.09 -0.07		- -	4.71. 4.96 4.77 6.12 4.91 1.49	10 11 12 13	Medium 5 years. Compone 15 years. 25 years. High 5 years. Compone 15 years. Treedomables. Index-Limited laffaction rate 5% Up to 5yes. Inflattion rate 10% Up to 5 yrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Up to 5 yrs.		11.55 11.16 12.49 11.85 11.47 10.94	7.1 10.9 9.8 9.3 11.0 9.5 9.1 3.8 3.7
+	ill stocks eberlare & Laus	00.03		137.62 98.03	_	1.38 3.92	15	Belis & Syears Leans 15 years 25 years	14.71 13.55 13.15	14.43 11.47 13.07	11.7
1	reference			73.86	-	2.52	18	Preference	12.67	12.53	10.1

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# Lending with adverse properties

BANKS are casting an increasingly worried look over the property development sector only two years after they beamed with pleasure at the latest loan agreement they had negotiated

agreement they had negotiated with a company within it.

This is not only a question of corporate difficulties. It also concerns leans where the security of the banks is tied to the saccess of the property project for which they have provided the money.

for which they have provided the money.

The decision of Marples International and National Finance & Leasing to call in receivers at South Quay Plaza 3, on the lais of Dogs in London Docklands, emphasises the vulnerability of the banks to this sort of financing in a singgish commercial property market.

Cantial values are easing as

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Capital values are easing as buyers are held back by high interest. Tenant demand is weakening both because the aconomy is slowing and because the 1986-89 surge in property development has produced an increasing number of buildings from which to

choose.

The syndicate of banks which provided the development finance for South Quay Plans 3 is left with probably hand called a provided and the control out. Plaza 3 is left with probably about £35m of loan capital out-standing and a London Dock-lands office building to be leased and sold.

In this and other cases of of-balance sheet financing, the

companies sponsoring the development can walk away without liability. The banks have no recourse to them; only to the property. Which is why some property companies have favoured this technique, new in the British market from the

mid-1980s.
One of the major concerns of property development companies is to minimise risk. Non-recourse financing fits into a chain of measures designed to meet this aim. • First, a company decides it

will share the risk of a develop-ment and therefore engages a joint venture partner. Second, the joint venturers set up an associate company, off their own balance sheet, whose sole asset is the develop-

ment.

Third, the finance for the project is raised by the associated single asset company against the security of the development, the only recourse being to the developers when there are, for example, cost or construction time overtune.

MR STEPHEN Morris,

managing director of Blacks Leisure, has resigned from the board of the camping and sporting goods company, and from that of its lifes Sam sub-

would not be receiving any compensation, although he has a service contract

by White Test

Contreway Trust . City of Ldn PR § ...



South Quay Piaza 3 on the Isle of Dogs in London Docklands: The syndicate of banks which provided the development finance is left with about £35m of loan capital substanding and a Docklands office building to be leased and sold

 Fourth, the developers enter into construction contracts at a fixed price.

● Fifth, the developers may seek to lease the building to a company before it is completed or, indeed, arrange to sell it once it is completed, simply taking away from the project a development margin of, ideally, about 20 per cent of the value.

The best-known case of the first four and most basic steps has been the Broadgate office development in the City of London, where over 11bn has been raised in stages by Rose-haugh Stanhope Develop-

This is a joint venture of Rosebaugh and Stanhope Properties, which, with the British Rail Property Board putting in the site, have been the joint

developers.
At South Quay Plaza 8, Marples and National Financeeach set up off-the-shelf compenies and hung the development and its financing off them.
Although this form of financing is relatively new to the 
British property sector it is old

British property sector, it is old hat to international banks. It is nest to international tenies, it is project financing by any other name, long used for the development of, say, oil wells.

But the returns from property are less readily estimated than from an oil well. Large office blocks, to which much of

which runs until October,

In mid-April, Blacks amounced that results for the year to March 3 would be

Blacks director resigns

the non-recourse finance is attached, are lumpy invest-ments which attract a fluctuatmade on sale of properties." Further, "there were no off-bal-ance sheet liabilities or undisng number of buyers, but never very many. Oil can usu-ally be sold to somebody. With abort and medium-term closed interest charges."

property lending, the bank can receive its money back only if the developer can either sell the building or lease it fully so that it can be re-financed with longer term funds like a com-mercial mortgage. South Quay Plaza 3 failed on both those

The banks' stake in the sale The banks' stake in the sale is increased because of the habit of allowing the interest to be rolled up so that it is paid off absultaneously with the loan capital. There are no returns for the bank at all if the building cannot be sold or refinanced.

been used almost exclusively by property development companies. By contrast property investment companies — generally larger and wealthier have preferred more conserva-tive techniques of finance, holding their borrowings on the balance sheet.

Mr Peter Hunt, chairman of Land Securities, the biggest of the investment companies and arguably the most cautious in its financing, stressed yester-day that its pre-tax profits con-tained "no element of gain

The total amount of out-standing non-recourse finance was relatively small as a pro-portion of total bank lending to property companies. But, as the figures compiled by Savilla, chartered surveyors, show, nearly £4.4bn was lent between 1985 and 1989.

This compares with total lending to property companies of 524.1hm, according to the latest Bank of England statistics. It reached its high point in 1988 when the property market was approaching its peak, now seen as early 1989. Then competition among banks to lend to the property sector was intense as foreign banks sought a place in the market. Syndicated facilities were a relatively easy way of achieving-that presence. This compares with total

alively easy way or scale-ving-that presence.

But the growth of property lending, and with it the axient of non-recourse financing, started to slow from early 1999, reflecting the change in the market conditions and the

growing caution of the benks, Such caution has been encouraged by the Bank of England, which in its monitoring of the exposure of individ-ual banks has informally been checking on control and risk

### Elan doubles to I£3.3m

Elan Corporation, the Irish tion company which wheel the USM last August, doubled pre-tax profits to IE3.3m (E3.1m) in the year ended March 81, comin internal management in 1976 and joined Blacks Lei-sure when it acquired the busipared with a previous IEL77m.
The company said that the revenue and profits growth was achieved on strong licensing, manufacturing and roy-

alty income.
Sales totalled 1230.23m (E16.17m) and the gross profit rose to E19.55m (E11.2m). After tax of E10,000 (E3,000) earnings per share advanced from 11p to 21p.

### ness, by then a quoted com-pany, in July 1987. During its recent abortive bid for A Goldberg, Blacks described Mr Morris as manag-"materially below those of the previous year". It added that its auditors were reviewing the The company declined to accounts of Miss Sam, which operates as a womenswear fashion designer and whole-saler, where "accounting irregularities" had come to light. It was later confirmed that make any comment on the rea-sons for his departure, or to elaborate in any significant way on its statement. However, it did confirm that Mr Morris

ing director of Blacks with "overall responsibility for the fashion and textiles division and manawer retail." Blacks shares were to higher the "irregularities" had arisen at 47p yesterday.

BOARD M	EETINGS	
nies have notified desea to the Stock Enthungs, mustly held for the pur- reduced. Official indica- ble as to whether the m or finally end the sub- m or finally end the sub- material and the sub- traction of the sub- sub-sub-sub-sub-sub-sub-sub-sub-sub-sub-	Bortwitch Butte Maring Cable & Viteriors Chancel Turinel lives Cropper (James) De La Rass Douty Drusseons EAAP Street Portainel States Hardy Oil & Gase	Redeserable St.

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**DIVIDENDS ANNOUNCED** 

Dividends shown pence per share net except where otherwise stated. "Equivalent after allowing for scrip issue, fOn capital increased by rights and/or acquisition issues. SUSM stock. "[Malaysian cents.

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**RELOCATION FUNDING No. 1 PLC** (Incorporated with limited liability in England & Wales)

This amoundament appears as a matter of record only

£ 60,000,000

Limited Recourse Asset Backed Secured Floating Rate Notes due April, 1994

### **AT Trust** seeks capital injection

By Andrew Hill

AT TRUST is seeking an ction of new capital to help cut borrowings weighing down the property, financial services and leisure group.

At the same time, Mr Theo Puphitis is to hand over the

role of chairman to Mr Mich-ael Dart, a US businessman who heads a private invest-

ael Dart, a US businessman who heads a private investment company.

Air Paphitis, who took charge of the former Astra Industrial Group three years ago when it was a loss-making engineering and leisure company, will remain as chief executive.

Mr Part and his associates are to invest £750,000 in the company, and the group said it was "considering raising a similar sum from sharehold-ears". The most likely routes are a rights issue or share placing, but a more detailed announcement is expected within the next two weeks.

AT's share price reached a peak of S8p hast August, but dropped as low as 7p by the beginning of the month. However, in the last week the shares have jumped to 14p, and AT decided to issue a preliminary announcement of its plans to dispel speculation. The shares slipped ip to 13p yesterday.

AT has been hit by problems

The shares slipped 1p to 13p yesterday.

AT has been hit by problems at its leisure division, which was expanded by the successful hostile hid for Splash Products a year ago. Losses at Splash's leisurewear operations and escalating finance charges helped drive the whole group into the red in the six months to the end of last October.

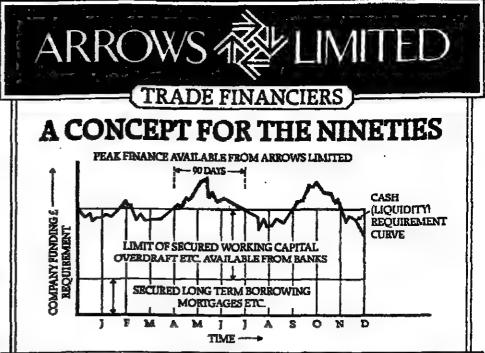
As part of the plans to

As part of the plans to reduce borrowings of £7m, AT has already announced the £4m sale of Cerex Jewels, its gift retailing operation. AT is thought to be considering disposals of other necessor businesses, in an attempt to wipe out the rest of its debt.

Mr Rex Stanlon, Carex's

Mr Rex Stanion, Cerex's founder and a director of Splash, is to stay with AT and will join the board as an executive director.

Industrial and retailing open Real action hold for invests Other copets lost lithilities



If your company has a turnover in excess of one million pounds, is profitable and could benefit from short term trading funds of up to £250,000 without encumbering your assets. then contact our Business Development Office at:

ARROWS參LMITED Please send me further information Tel: ARROWS LIMITED FREEPOST Arrows House, Dunham Mount, Dunham Boad, Abrincham, Cheshire WA14 IBR. Telephone: 061-941 2500. Telex: 66705Z. Arrows G. Faz: 061-928 6948. For our current interest rates call up Arrow on Beuters

BRITISH VIRGIN ISLANDS The Financial Times proposes to publish a Survey on the above on JUNE 29th NIGEL BICKNELL

en 971-673 3447 **FINANCIAL TIMES** 

European Assets Trust The net esset value at 30th April 1990 DFL 9.17

/V Industrivärden

ricely Report 1, January 1 - March 31, 299 bills of Nated stacks purposed better then jud

Design for question, the values of the stack, postable full by S passent adjusted for cognitions and sales (general, index. -10 passent). On March 21, 1990 the marine v ESC S, LODING (A. 500 cm Jaconey 1).

The year's divisionals on Secul shame use exposed to execute to ESC 187M (Just year 168), as increases of 15 passent.

Major acquisitions of stacks during the pecied were made in Investment AB Belong (183,500 stock tests) and Econom 2 (80,000). Major disposale were made of Belg estatio heighing of stock and CFMs as a secule of who-over high) and Streetlin (206,000). Capital galax on sales of Estat stocks amounted to ESE 142M. Not make decreased to ESE 1444.

The Georgis Industrial and Targing operate to been included as a whally-overed a lin the first quarter, the Georgis Industrian expenses amounted to SEE 9006 (62.

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Tokyo Pacific Holdings N.V.

t the Annual General Meeting of Shareholders held on 25th May, 100 a cash dividend of US\$ 2.00 per Ordinary Share was declared myable as from 5th june, 1980 against delivery of dividend coupon n. 20 with any one of the Phylog Agents.

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Tokyo Pacific Holdings (Seaboard) N.V.

At the Armual General Meeting of Shereholders held on 25th May, 1990 a cash dividend of USS\$ 1.45 per Ordinary Share was declared payable as from 5th-June, 1990 against delivery of dividend ocupon No. 20 with any one of the Paying Agents.

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Helicopter sales fall 21% and division likely to remain flat for at least two years

## Aerospace side helps Westland to 44% rise

By David White, Defence Correspondent

WESTLAND, the Yeovil-based helicopter group, has begun to reap the benefits of efforts to develop other areas of business, showing an increase of almost 44 per cent in first-half profits.

The pre-tax figure rose to £11.5m in the six months to end-March against £8m in the corresponding period of the previous year, in spite of an 11 per cent drop in turnover

The turnover decline reflected a slowdown in helicopter deliveries and a gap in new orders from the UK Min-

istry of Defence. Westland's sales from helicopters fell 21 per cent to make up just two thirds of total turnover, and Mr Alan Jones, chief executive, said the proportion was likely to decline further.

At the same time, the company's aerospace division, involved in wing and engine components and control systems, saw operating profits more than double to £3.2m on sales rising 39 per cent to

THE DEATH of a mechanic ran Impshire Thoroughbreds, the Irish breeding and racing

last year. Impshire owned an eighth of

Prince of Dance, a valuable runner on the flat. His death

early last season, caused by a tumour on the spine, was the main reason for the USM-quoted company's 1988

operating profit of 12436,000 turning into a loss of 12305,000

Prince of Dance was not insured – a matter of policy according to impaire – and his untimely death came in a poor year for the bloodstock industry. The company said

prices at the upper end of the market were checked by

and high interest rates.
As a result, it took a paper loss of 122.29m, about 15650,000 more than the previous year, in writing down the

Death of racehorse sees

The technologies division showed a 58 per cent recovery in operating profit to £4.1m in the wake of rationalisation plans announced last autumn, which involve the

loss of 420 jobs.

Mr Jones said he expected continued growth in the aerospace business, following orders received earlier this year worth more than £150m from McDonnell Douglas of the US, Dornier of West Germany and Hispano Suiza of

However, the helicopter business, which maintained its operating profits at 28m, would probably remain flat for "at least a couple of years," according to Mr Production orders for the

EH101 naval and utility heli-copter, which Westland is developing jointly with Agusta of Italy, are not expected to be placed until

next year.

The helicopter division is relying on remaining UK and export orders for Lynx and

Sea King models to keen it ticking over. But Westland said it was organising the division so that engineering skills could be applied to

other arms.
Doubts hang over the choice of the EH101 for use by the RAF as a support helicopter and over the four-nation Light Attack Helicopter project for the army.

But Westland is comfortably placed to produce the anly placed to produce the most likely alternatives in both cases: the Sikorsky Black Hawk, which the Brit-ish company is already due to make under licence for Saudi Arabia, and the McDonnell Douglas Apache.

Earnings per share advanced to 5.4p (3.2p). The interim dividend is unchanged at 1.25p. Analysts now predict a rise

of about 25 per cent in full-year profits over the 1989 pre-tax figure of £20.7m. Sales, however, are expected to fall short of last year's



Tony Andrew Alan Junes: helicopters now made up just two thirds of turnover

### Reduced advertising revenues Impshire run into the red lead to setback at Southnews

£19.1m.

value of its horses.

Mr Pat Ryan, of Anshacher in Dublin, the company's bank, said impahire had about 40 horses in training, 16 brood mares, more than 20 young-sters and shares in 16 stallions. Everything had come down in value. down in value.

After the write-down, the company made a pre-tax loss of I£2.6m (I£1.2m). The loss per share was 35.6p (26p). Nevertheless, Mr Ryan sounded a note of optimism for

this year. Bold Russian's win at The Curragh on Saturday not only brought in nearly £140,006 in prize money, it also increased his value and the value of his mother which impulies also

previous star, Reference Point, winner of the 1987 Derby. "It only takes one of those every so often to help claw back those losses."

SOUTHNEWS. USM-quoted local newspaper group, blamed a steep down-turn in advertising revenues for a fall in its pre-tax profits from £2.83m to £1.9m for the year to March 31. Turnover growth in 1990-91. increased from £18.2m to

Mr Gareth Clark, chairman, and that the advertising downturn had been particularly damaging for free newspapers which had built up their strength in the motors, property and retail markets. A decline in this type of advertising was responsible for a 18 per cent fall in overall advertising revenues in the

Since the year end, revenues from motors, property and retail advertising had levelled out, compared with a year ago while job advertising had declined by an average of 16 per cent. He said that the first half of this year would be affected by the current downturn in advertising, although he looked forward to a period of

He said that the such flow was strong and the cost base and overheads continued to and overneads continued to fall with improved productiv-ity from titles and new cus-tomer services. "I view the prospects of the company for the coming year with much confidence," he said.

Southnews, which com-prises 16 free newspapers and five paid-for newspapers, is dependent on advertising income for 95 per cent of its

Mr Clark said that the com-pany was now leaner and fit-ter and so better able to absorb the downturn than a year ago. The company had

May 1990

reorganised itself into 13 business units with individual responsibility for manage-

The structural changes were backed up by an investment of £380,000 in equipment and training to improve its cus-

training to improve its customer service.

The once lose-making South Coast division, which includes the laie of Wight, is now trading profitably. Mr Clark said that all but two papers in the group were profitable.

During the year, the group bought Kensington & Chalsea Times. It intends to pursue other acquisitions where there are clear financial and market thate advantages to be gained and where prices are realistic. Escuings per share fell from Estraines per share fell from 12.350 to 8.650. An unchanged final dividend of 3.20 is recom-mended, making a total for the year of 4.80.

### Lift for TVS as **CBS** takes sitcom

to enable. It to declare the hid unconditional.
Leucadia said yesterday that if the hid falled, it would immediately ask the Molins board to remove the group's three non-enecutive directors and replace them with five Lencadia previous.

AFTER A series of sederic in the US Mr James Gatward, chief executive of TVS Entertainment, will today hear some good news for a change. CBS, the US network, will amounce in New York that it is buying a 13-past situation comedy starring Burt Reynolds from MTM, the Hollywood production subsidiary of TVS, the British ITV company.

The half-hour series, expected to cost about \$10m (25.9m) to produce, and scheduled for transmission in the prime 8pm alot on Friday evenings, will mean that TVS will have a show on the US networks this autumn after all. The new show, a family comedy set in the southern US, will be called Arkansas or Eveningshade.

"Needless to say we are delighted," said Mr Gatward yesterday. Financial problemsover MTM costing \$320m have caused a sharp fall in the TVS share price from about 335p to 850 vesterday. tie them to use these sort of

caused a sharp fall in the TVS share price from about 3359 to 85p yesterday.

Mr Gatward also conceded publicly for the first time that the company's existing abows on the US networks would probably not be renewed.

"The chances are we are noticed to be a second to be a secon

series

By Raymond Sneddy

"The chances are we are going to lose these previous shows. In business terms this is good for revenues," Mr Getward said yesterday.

It may be good in the short term because it will limit MTM's need for deficit financing, but it will also mean that not enough of the shows will be made for the secondary syndication market—the repeating of all network programmes on independent stations.

When ABC announced its anium schedules last week, MTM's Capital News was not there. Broadcasting of the remaining episodes of the first saries of 13 resumes on June 4 and if the rating improves a said-season pick up is possible although the odds are against it.

ple although the odds are against it.

Mr Gatward said he did not expect two other MTM shows. City and FM, to make it. he addition to the Burt Reynolds sitcom, he had hopes for two other programme concepts now being considered by CHS.

in residential and commercial construction in the United

Working capital management and cash generation at Marvin had both shown "sig-nificant improvement" follow-

ing its reorganisation under a new president, the report-added Hanson owns the US's

### Leucadia threatens **Molins control move**

National recommend the 275p per share cash hid. M&G Group, which owns 18.6 per cent of Molins, has already said it will reject the hostile hid as it did on the two previous occasions.

Leucadia said Molins had refused a meeting before the offer was launched and added that it was "concerned both about the lack of direction and the conduct of Molins' affairs."

It is unusual for a hostile Corporation is threatening to take control of Molins by voting new directors onto the board if its hostile bid for the cigarette machinery manufac-

cigarette machinery manufac-turer falls.

The offer closes at 1pm today. Leucadia shreedy owns 44.6 per cent of Molins, but by last night the US manufactur-ing and financial services com-pany had still gleaned too few acceptances from shareholders to enable it to declare the hid unconditional.

ensecutive directors and replace them with five Leucadia repre-sentatives. If it were still thwarted, Leucadia would call a special meeting of sharehold-ers to vote on the proposals. Mother contemnal the state-ment as a "desperate tactic". Mr Jonathan Ritchen, a direc-tor of Lazard Brothers, which is advising the IIE commany. is advising the UK company, said: "Their stake doesn't enti-

strong-arm tactics: it's pure last-minute scare-mongaring." Leucadia is probably hoping institutions will either commit their stakes to the offer at the 11th hour, or that they will tryto persuade the Molins board
— which is fighting off its
third bid in three years — to

the conduct of Molins' affairs.

It is unusual for a hostile bidder to display its hand so openly, although it is thought similar pressure was applied by the bidders in the final stages of the recent struggle for Laing Properties. The property group eventually recommended the joint offer from Paninsular and Oriental Steam Navigation Company and Chelsfield.

If Lencadia falls short today it will still be entitled to buy a further 2 per cent of Molins in the market, which would give it control over nearly 67 per it control over nearly 47 per cent of the group.

The US company's increased offer is worth about \$55m, comoffer is worth about \$33m, compared with the initial bid of \$76m, launched at the end of March from the platform of a 33 per cent stake. Throughout the bid, Leucadia's US management have spoken through their UK advisers.

Molins' shares were unchanged at 275p yesterday, matching the offer price.

### Goldberg plays down share price leap as 'unwarranted'

A GOLDBERG, the Scottish-based fashion retailer, said last night that its share price rise yesterday, of 9p to 49p, was "inexplicable and

At the time Mr James Fyfe, Fletsand chairman, said he wanted to discuss with Gold-berg ways in which its management strengths could "com-plement and enhance those of

original price rise yesterday, of \$9 to \$490, was "inexplicable and unwarranted".

The group said it was in discussions which could lead to the group "making a major acquisition", involving "an issue of a very substantial number of new shares."

Knowing that, and knowing the results for the year to end March, the board said it could not understand the recent rise in the share price. The share had risen by 20 last Friday.

The bid is likely to be a deficit was \$2,92m and the final dividend was cut. At the mable an unquoised company to obtain a listing through a marger with Goldberg.

Speculation about the target centred on Fletsand investimants a price group which come the bloodless of the pre-tax loss was marger with Goldberg.

Speculation about the target dend was passed. The group has been cutting back, its interim stage in the 1989-99 year, the pre-tax loss was marger with Goldberg.

Speculation about the target dend was passed. The group has been cutting back, its operations, closing shops and operations, closing shops and the interim dividend was passed. The group has been cutting back, its operations, closing shops and the interim dividend was passed. The group has been cutting back, its operations, closing shops and the interim dividend was passed. The group has been cutting back, its operations, closing shops and the interim dividend was passed. The group has been cutting back, its operations, closing shops and the interim dividend was cut. At the interim stage in the 1989-99 year, the pre-tax lossing shops and the interim dividend was cut. At the interim stage in the 1989-99 year, the pre-tax lossing shops and the interim dividend was cut. At the interim stage in the 1989-99 year, the pre-tax lossing shops and the interim dividend was cut. At the interim stage in the 1989-99 year, the pre-tax lossing shops and the interim dividend was cut. At the interim stage in the 1989-99 year, the pre-tax lossing shops and the interim dividend was cut. At the interim stage in the 1989-99 year, the pre-tax lossing s

### Casino buy-out talks at Mecca

Mecca Leisure is negotiating previous estimates had with the management of its suggested that it would troubled casino division for a want up to 186m for the cast-buy-out of the four London nos. cusinos to help reduce the debt burden.

burden.
The price being sought by Mecca is not being revealed at this stage, although

nos. However, this is seen by City analysts as an optimistic figure

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CAJA DE MADRID

## Hanson's US asset sale brings total to over \$62m

HANSON, the UK-based conglomerate which is fighting for control of Peabody, the US coal miner, yesterday smoomeed the sale of its Marvin Electric Manufacturing business to Hubbell for \$18.5m (£10.9m) cash.

The deal brings to more than fifteen improvement following its reorganisation under new president, the renormal following the sum raised by Hanson president.

sam the sum raised by Han-son industries from recent business and asset disposals. "We can do better with the

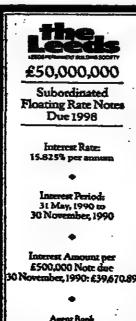
we can do better with the money received for Marvin, than with the business itself", said Hanson.

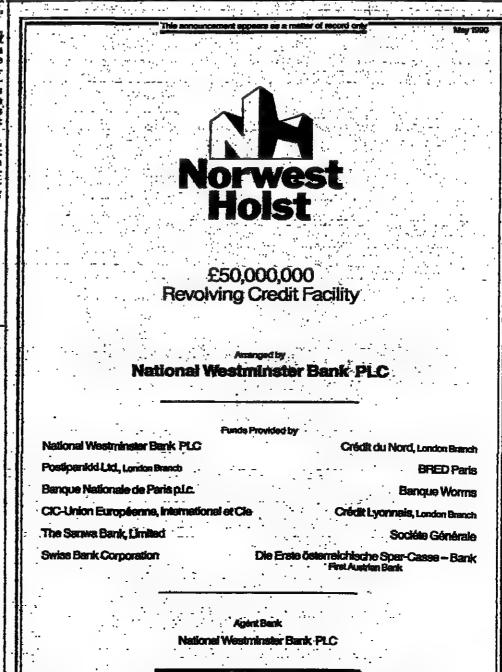
Los Angeles-based Marvin, which was formerly part of Kidds — acquired by Hanson in 1987, manufactures a range of inconference and high intersity discharge lighting. Operating profit was \$392,000 on sales of \$14m for the six months to March 31 1999 and \$2m on sales of \$32m for the year to last

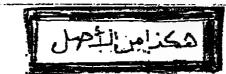
Hanson said that margins at its lighting operations were lower than in the prior year due to "an extremely competi-tive environment resulting

### Nth American Gas

Net asset value per share of North American Gas Investment Trust was 88.7p as at April 30. Nine months results showed pre-tax revenue of 21.14m. After tax of 2393,000 earnings per share were 2.13p. Interim dividend was 1.125p.







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talks at Mecca

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> vices, the computer bureau and software company, from 2757,000 to 21.14m before tax in the year to February The USM-quoted company's shares rose 12p to 260p on the news.
> R&N, which specialises in serving the financial futures and options market, managed to push up licence-related reveto push up heence-related revenue to \$1.63m (2571,000) during the year.
>
> Mr Michael: Warburg, chief executive, said the volume of business on the futures and options markets had continued to be quite strong, although there was little increase in the number of new bursau clients

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Secretary in the secret

By Andrew Hill 

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CARREL CONTRACTOR 

Tunstall Group, the Yorkshire-based security equipment con-cern, have abandoned an attempted buy-out.
Mr Michael Dawson, chairman and holder of 25 per cent of the equity, said: "We could not come anywhere near the merchant bank's [S G Warburg's expectations as far as the value of the business was concerned." At yesterday's opening price of 1900 the group had a market value of just over \$30m. The shares fell back to 1400 each on

By Jane Fuller

singles lest water to the management's withdrawal. That compares with last year's high of 300p in March and a subsequent low of 120p just prior to the news of the MBO plan.

Tunstall also amnounced a 69 per cent increase in order to per cent increase in pre-tax profit to £2.84m for the six months to March 31. Turnover

rose slightly from £24.27m to rose signify from £34.7m to £34.63m.

"Comparisons were complicated, however, by the exclusion from the latest trading figures of Ademoo, a loss-making distribution business sold in December. The £2.2m received for it had helped to reduce

gearing from 150 per cent to less than 70 per cent, said Mr EXECUTIVE directors of

Buy-out plan abandoned

as Tunstall nears £3m

Counting Ademee out of both comparative periods showed operating profit increasing from 23.1m to nearly 13.6m and turnover growing by 20 per

Tunstall Telecom, which supplies emergency communi-cation systems for the elderly and infirm, increased cales by 30 per cent. Mr Dawson said the Govern-

ment's community care legisla-tion, due next year, would eventually provide new oppor-tunities to sell communication systems. But he warned that uncertainties about its imple-mentation would keep the UK market for these systems flat. for a while The group was trying to build up exports, expected to

amount to 23m or 6 per cent of amount to sam or e per cent or sales this year.

Tunstall Security, which makes burglar alarms, and Tann Synchronome, fire alarms, had both operated in buoyant markets. Interest payments rose to \$750,000 (\$580,000).

Earnings per share climbed to 11.1p (6.8p) and the interim dividend is increased from

**@ COMMENT** 

UK COMPANY NEWS

Although the figures were better than some analysts expec-ted, notes of caution about the outlook mean that it may be quite some time before quite some time before the shares push up towards the 300p mark again. Tunstall Telecom derives 30 per cent of its business from the private builders of sheltered housing and that market continues to look vulnerable. As the push towards keeping the elderly in their own homes gathers legislative momentum. Tunstall's lative momentum, Tunstall's lative momentum. Tunstall's public-sector markets look set to stagnate. While there is scope for providing systems for individuals' homes, that different type of business will take a while to build up. The group also has work to do to improve the performance of its fire and business classes. burglar alarm businesses. A full year forcest of £5.5m pre-tax gives a prospective pie of about 6.5. The cheapness is explained by concern about Tunstall Telecom's profit out-

Rolfe & Nolan rises to £1.14m after licence revenue boost

A STRONG increase in licence in the UK.
revenue helped boost profits at
Bolfe & Nolan Computer Serand facilit group's revenue came from overseas — the bulk from licence sales. Revenue from the bureau and facilities management operation increased from \$1.05m to \$1.05m. R&N is attempting to expand its bureau division both by linking countries close to the UK to the British bureau, and by examining the possibility of opening new bureaux in Austria, Switzerland and West Ger-He said he was particularly pleased to have broken into continental Europe marketing software licences and support

"When I arrived here 3% years ago I think there was only one in-house licence and I Turnover for the group rose from 23.84m to En.48m. set about improving our repu-tation for licences in oversees locations," he said yesterday, adding that licence sales in West Germany had helped The group's cash and short-term deposits had risen to £2.72m (£1.59m) by the end of the year, generating interest receivable of 1264,000 (£151,000). Karnings per share rose from

"it got us on the map in Europe, opening up opportuni-ties there and beyond," com-mented Mr Warburg. 18.7p to 27.6p, and proposed final dividend of 5.4p, makes a total of 8.6p (5.8p) for the . Last year 25 per cent of the

### **BP** sells remainder of US coal operations

By Kenneth Gooding, Mining Correspondent

BRITISH PETROLEUM kas boosted the cash raised from the sale of its world-wide coal rather better than analysis originally expected — via an agreement to sell its remaining US coal operations to Zeig-ler Coal Holdings, a private

group, for \$115m.
At the end of last year, after
the \$137m disposal of its Mingo Logan Coal business in West Virginia to Ashland Coal, it seemed as if EP would not be able to sall the seemen

which have now gone to Zeig-ler and the UK group planned to put them into a separate helding company.

However, BP has now taken advantage of a buoyant mar-ket for onal companies in the PS to reach accurate and US to reach agreement — sub-ject to US government approval — to sell the Old Ben Coal and Franklin Coal companies. They have four under-ground steam coal mines in ground steam coal mines in Illinois, two surface steam coal mines in Indiana and steam and metallurgical coal operations in West Virginia. The sale includes more than

ennes were ESStra from 14.1m tons, mostly for US power gen-

eration.

Mr Philip Lambert, analyst with Eleinwort Benson Securities, pointed out that EP origi-

than expected for Mingo Logan, the proposed price for the rest of the US coal assets is marginally below expecta-tions," he said. "But EP must be very happy with the overall

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390m short tons of saleable coal reserves and last year rev-

ties, pointes out that H' origi-nally was expected to raise about \$600m from the sale of its coal assets, including those in Australia and South Africa as well as the US.

"Whereas HP received more

Wace purchase

Wace Group has acquired Graphic Warehouse, a Chicago-based graphic art's services company, for an initial counti-eration of \$1.6m (£945,000). This will be satisfied by the issue of 130,332 ordinary shares and \$600,000 cash.

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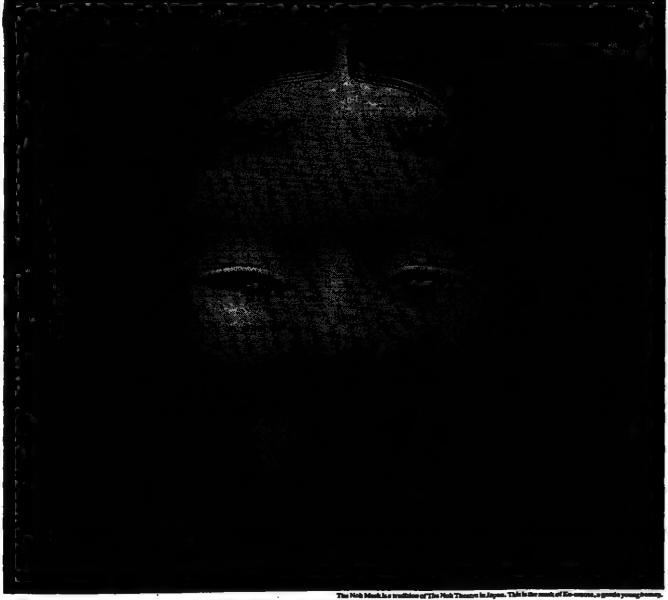
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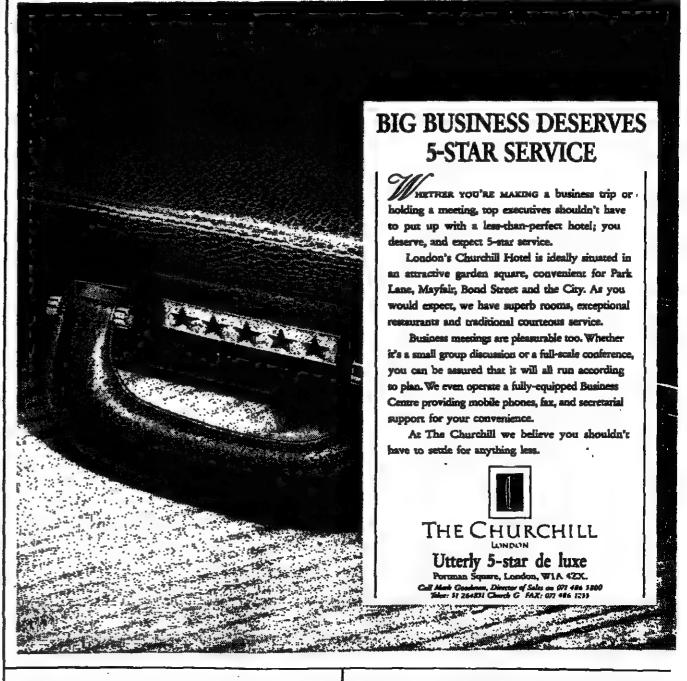


### INVEST IN A FIRST EDITION

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### SWEDEN

The Financial Times proposes to publish this survey on: 4th July 1990

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on 971-873 3000 or write to him at: Number One Southwark Bridge London SE1 9HL FINANCIAL TIMES

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Global info Ltd, PO Box 1841, London NW1  Results expected to show that cashflow targets are being beaten

## Reedpack management reaffirms flotation plan

By Maggie Urry

Reed International by its management, yesterday reaffirmed its plans to float on the stock market next year if market conditions are favour-

Mr Peter Williams, chief executive, implicitly denied rumours that the group was in discussions with Svenska Cellulosa (SCA), the Swedish paper group, which would lead to a takeover of the British company.

He said that the group reg-ularly received bid approaches from companies, but no deal had been done. He pointed out that as

BRITISH-BORNEO Petroleum

Syndicate, the oil investment company which has returned

to oil exploration in the past year, yesterday reported a 4.9 per cent fall to £1.46m in net

earnings in the year to end-

Mr Alan Gaynor, managing director, said the company had exceeded its targets in the past

year of acquiring interests in

oil and gas exploration pros-pects, and that an ambitious drilling programme would be

Earnings per share fell from 84.0p to 32.4p, and the full year

REEDPACK, the paper and packaging group which in 1988 was bought out from tile takeover.

However, Reedpack has been talking to SCA about building a new £200m news-print machine at its site in Aylesford, Kent, which would use recycled paper as its raw

SCA could become a partner in the project, which is planned as a joint venture. Reedpack had been studying the project as a 50:50 venture with Daishowa Forest Products, the Canadian subsidiary of the Japanese paper com-

However, it is thought that Daishowa may decide not to go ahead with its involve-

dividend was unchanged at

British-Borneo aims to use income from its investment portfolio of shares in other oil

companies to pursue tax-effi-cient oil exploration and to

fund a dividend while an

exploration portfolio matures. The shift in activities is

reflected in the accounts.

Investment income rose from £1.6m to £1.79m, while profit

on dealing activities rose from

About 80 per cent of the company's assets consist of shares in Shell and BP, which

2483,612 to £1.41m.

Marginal slip to £1.5m at British-Borneo



Covenants have been rene-gotiated with bankers to

cover the next three years, but terms and conditions of

the debt are unchanged, Mr

are held as trading assets.

British-Borneo is able to pro-

duce a cash flow from selling the shares gradually, and write substantial capital gains

tax off against exploration

pany's effective corporation tax rate last year fell from 32 per cent to 3 per cent as a

result of the start up of exploration spending. These tax advantages are also not lim-

Reflecting these activities, administrative expenses rose

ited to spending in the UK.

Mr Gaynor said the com-

talks with Svenska Cellulosa

while consultant fees rose

The company last year acquired interests in three UK

offshore exploration licences

through a Government-sponsored licence round.

Interests in 10 leases in the US Gulf of Mexico were acquired in September, as well as interests in two exploration

permits in Italy, which are operated by Sovereign Oil and

Gas, the UK independent oil

The company has set up offices in London and Houston

to manage these interests.

from £27,258 to £569,059

### admission to the FT-SE 100 index By Maggle Urry

WTA may not gain

WIGGINS TEAPE Appleton, the paper company whose shares are expected to start trading on Friday following its demerger from BAT industries. might not join the FT-SE 100 share index at the next review

The organisers of the index put out a statement yesterday dampening expectations that WTA would automatically join the list of leading stocks. Analysts said yesterday that if fund managers did not expect WTA to be included in the index this would be a blow for the shares.

The constituents of the index will next be reviewed on June 20 and WTA would need a share price of between 215p to 220p to have a sufficient market value to ensure inclu-sion in the index given current levels of the stock mar-ket.

However, analysts are predicting an opening share price of around 200p, or even less. This price would give WTA a market capitalisation of £988.6m, which would be greater than some of the stocks in the FT-SE 100 index such as Taylor Woodrow, BPB Indus-tries, and Carlton Communica-

But under the rules governing new entrants to the index, new stocks need to have a mar-ket value within the top 90 companies to force their way into the index. Alternatively, if the market value of one of the current constituents fails to below that of the 110th largest company, that stock would fall out and WTA could replace

These rules are intended to stop large numbers of changes each quarter. The next changes to the FT-SE 100 take effect on

July 2 WTA shares are expected to join the FTA All-Share Index early in June, by filling the first vacancy occuring after May 31.

tries in the past year, partly as a result of the rise of religious

The squeeze on consumer spending has also hit the small-time gambler in London, although less so in the prov-

Mr Michael Guthrie, Mecca's chairman, said last night that Mecca's provincial casinos were not for sale. Mecca is seeking early prog-

ress on the buy-out talks as it

is keen to start realising assets as soon as possible to help raise £250m to reduce its debt

It was this high debt burden

which depressed Mecca's results at the beginning of April and led to a down-rating

most leisure shares.

### Mecca seeks buy-out for London casino operation

By David Churchill, Leisure industries Correspondent

MECCA LEISURE is negotiating with the manage-ment of its troubled casino division for a buy-out of the four London casinos to help reduce its debt burden.

The price being sought by Mecca is not being revealed at this stage, although previous estimates had suggested that it would want up to £85m for the casi-

However, this is seen by City analysts as an optimistic figure in the current depressed state of the casino business in Lon-

don.
The four casinos involved in the possible buy-out are the Connolsseur. Victoria, Gloucester, and Maxims clubs. The Victoria is London's larg-

est casino.

Earlier this year Mecca sold the Clermont Club, one of its top London casinos, to the Bally Corporation of the US for

Mr Alan Goodenough, man-aging director of the casino's division, is understood to be giving up the executive control of the London casinos while the buy-out negotiations are

Rechem setting

venture in Italy

Rechem, the waste disposal company, is planning to set up a joint venture in Italy to build

and run an incineration plant for the destruction of hazard-ous wastes. The project could

involve an investment of about

The plans, however, are still at an early stage although Rechem has signed an agree-ment with Ecodeco, an Italian

waste disposal company, tak-ing an option to invest in an

The plans now depend on Ecodeco finding a suitable site

and winning regulatory

approval.

Rechem has long made it clear that it wanted to invest

in an expansion of its core activities overseas.

tial investment, the deal will be subject to approval by Rechem's shareholders.

Given the size of the poten-

equally-owned plant.

up joint waste

By John Thornhill

## Mecca has already amounced it is seeking up to siloum for its 16-strong Character Hotels chain and is looking for buyers for its Sweeney Todds and Prima Pastabranded restaurant chains. Ritz Design shows 26% improvement

In spite of a £587,000 rise in interest charges to £742,000 Ritz Design Group achieved a 26 per cent increase in profits to a record £2.05m pre-tax for the year to March 31

Turnover of the group, a lesigner and manufacturer of ladies' clothing which has Marks and Spencer as its principal customer, rose from £23.99m to £33.19m and at the trading level profits expanded by £1m to £2.79m.

Tax accounted for £720,000 (£567,000) and earnings emerged at 14.7p (11.4p) per 5p share. A final dividend of 2.67p makes a 4p (2p) total. Mr Michael Bancroft, chair-

man, said it was the fifth consecutive year under the present management that the group had achieved record es in results.

He said the current year had started well and that the group was committed to growth both organically and by acquisition.

### NEWS IN BRIEF

HAMPDEN HOMECARE: Mr JP Goldstone, chairman, told annual meeting that following a further 13 weeks' trading following the publication of the report and accounts the results achieved so far do nothing to dispet the caution be expressed earlier. He was optimistic that new stores being opened in the Irish Republic would make a significant contribution to the

IMI is expanding its fluid power operations in eastern Europe in readiness to help reequip the bloc's outmoded manufacturing plant. It had recruited a team of East Ger-

man sales engineers and was setting up a distributor net-work throughout the area. LOVELL (GF) has changed its name to Albrighton following approval at an extraordinary EGM.

PFG HODGSON Kenyon International has acquired R Piccioni and its Piccioni (Masonry) subsidiary for £504,250, satisfied as to £290,150 cash and 75,568 new ordinary shares. Piccioni, a West Midlands-based wholesaler of monumental masonry, made pre-tax profits of £13,893 on £1.71m turnover in the year to March 31 1989.

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### **NEWS DIGEST**

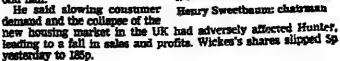
### Wickes warns of downturn

By John Thornbill

WICKES, the DIY retailer and building materials company, warned at yesterday's annual meeting that it expected first half profits to be lower than last year's £15m due to difficulties at Hunter, the timber merchant it acquired in 1983.

But Mr Honry Sweetbaum, chairman and chief executive, added that the continued strong performance of its retail businesses and reduced cost base should enable it to recover lost ground in the sec-

demand and the collapse of the



### Centreway Trust declines to £0.85m

Centreway Trust, the Birmingham-based develop-ment capital group, reported a setback from 21.05m to 2349,000 in pre-tax profits for the year ended December 31. This was in spite of an improvement in turnover from £19.58m to

Gross profits rose from \$4.75m to £5.5m and operating profits from £1.17m to £1.37m, but a lower contribution from business services - £373,000 against £548,000 - and a jump in net interest payable from £115,000 to £520,000 were the main reasons for the down-

turn. Tax took £13,000 (£110,000) and minorities £432,000 The problems with Mecca's London casinos stem from a dearth of free-spending gam-blers from Middle East coun-(2536,000), leaving earnings per share unchanged at 6.5p. The dividend goes up from a total of 1.5p to 3p with a proposed final of 2p. fundamentalism inhibiting high rollers' from coming to

There was an extraordinary credit of £94,000 (£901,000 debit).

### Health care move lifts Brewmaker

Brewmaker amounced pre-tax profits of £496,733 for the year to January 31 against a resisted £130,439. Included in the result was an

exceptional £154,822 credit

exceptional 1184,822 credit (266,000 debit).

The USM-quoted manu-facturer of home-brewing supplies and soft drink concentrates also imports cat litter and, more recently, has moved into the health care industry. industry.

A recommended final dividend of 0.1p makes a 0.2p (nil)

total. Earnings per share emerged at 0.55p (0.17p) basic and 0.52p (0.15p) fully diluted. Turnover was £5 64m

### Petaling Tin declines 77% to M\$2,24m

Petaling Tin. the London-quoted Malaysian tin mining concern, reported a 77 per cent decline in operating profits from M39.62m to M32.24m (£492.060) in the six months to

April 30.
Turnover was down from M\$19.56m to M\$2.54m. Output of tin concentrate dropped from 766 tonnes to 544 tonnes and sales declined from 1,173 tonnes to 198 tonnes. The average price received fell from M\$16,052 to M\$12,185 per tonne. Attributable profits were down at M\$662,000 (M\$5.32m)

and earnings per share came out at 7 cents (53 cents). There is no interim dividend this time (80 cents).

### Interest boost for City of London PR

City of London PR Group, the USM-quoted public relations consultancy, returned profits of £911,000 pre-tax for the year to end-March, an improvement of 10 per cent over the previous year's £830,000.

Turnover was unchanged at \$1.08m and operating profits alipped from £544,000 to £473,000. The pre-tax result was broved by a £152,000 increase to £438,000 in interest income. Earnings worked through at 7.75p (8.08p). A final dividend of 1.86p makes a 2.81p (2.25p) total.

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### LEGAL NOTICES

IN THE MATTER OF CAKSTEP LIMITED AND DESTRUCTION OF THE PERSON NAMED IN **CAKSTEP LIMITED** 

specialist
Trade classification 48
Date of appointment of administrative
receiver(s) 17 May 1890
Name of person appointing the administrative
tive receiver(s) The Governor and the
Company of the Bank of Socialing
N E O Cook & J D Viewhern
Administrative ReceiverLock Administrative

Receivers (office holder so(s) 8567 2186

IN THE MATTER OF BUSINESS PLUS

MOTICE IS MERCEY GIVEN pursuant to dec-tion 96 of the londwardy Act 1986, 84st a Meeting of the Creditors of Business Plus Limited will be held at The Cate Royal. Pic-cadilly, London, Wil. on Wadnesday, the 8th Limited will be held at The Cate Royal. Pic-cadilly, London, W1. on Wadnesday, the 8th day of Jane 1980 at 11.00 o'clock is 'the forenoon for the purposes provided for in Becanes EE, 100 and 101. A Buf of the nature and addresses of the company's predictor will be evailable for inspection, first of charge, during business bours on the 4th and 5th days of June 1990 at the offices of Begble Norion & Partners, Cromwell House, Futuroud Place, Gray's Inn, London, WCTV 612.

Deted this 18th day of May 1990. By Order of the Board, J.A. Smith

NOTICE OF APPOINTMENT OF JOINT

We, M J London and R E C Cook, Abscus Court, 6 Minshull Street, Manchester, M1 SED were appointed Joint Administrative Receivers of Goldenlight Limited T/A The Old Rectory Hotel.

Registered No. 2186221 by Atken Hutre Bank PLC on 16 May 1880 and N & Coc Joint Administrative Receiver

ART GALLERIES

WILLIAM DRUMBOND, Summer Exhibition 1990 1898 - 19th Certury of paintings, pes-tels, watercolours and drawings. May 21rd - June 1st. Bury St. Gellery, 11 Bury St. St Jernes's, SN1- Daily 10-6.20, Sat 10-12-50.

### COMPANY NOTICES

THE MOYAL BANK OF CANADA U.S. \$350,000,000 Floating Rate Debentures due 2005

in accordance with the Terms and Conditions of the Debentures, the interest rate for the period 31st May, 1990 to 29th June, 1990 has been fixed 1850 to 25th June, 1850 has been most at 8%% per annum. On 29th June, 1950 interest of U.S. \$8,896181 per U.S. \$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 29th June, 1990 will be nined on 27th June, 1990. Agent Bank and

Principal Paying Agent ROYAL BANK OF CANADA EUROPE LIMITED

### PANTHER LTD

US\$68,500,000 Secured Floating Rate Notes due 1995

secured by first charge over
Yen 10,000,000,000 aggregate
principal amount of ASLK-CGER
Finance N.V.
5½ per cent. Variable Redemption

Amount Notes due 1995 guaranteed by Algemene Spaar-on Lightentekas/ Caisse Générale d'Epargne et de

For the six months May 24, 1990 to November 26, 1990 the Notes will carry an interest rate of 8.7825° is p.a. The coupon

pertaining to each Note of US\$100,000 for this interest period will be US\$4,537.63 and will be payable on November 26, 1990

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### CHANGE OF COMPANY NAME KOREA KUWAIT BANKING CORPORATION

is pleased to announce that the English version of ite company name is changed to:

KKBC international Ltd.

es : Merchant Banking Corporate Finance, Securities and Investment Trust, Project and Trade Finance, Leasing, Foreign Exchange,

e Major shareholders: Hyundai Businesa Group, Korea Kuwait Financial Centre: Kuwait Robert Fleming & Co. Limited, U. K.

• Overseas subsidiary: Korea-Japan Finance Co.Ltd. H.K.

Short-term Finance

O KKBC International Ltd.



Tokyo Pacific Holdings N.V. Tokyo Pacific Holdings (Seaboard) N.V.

The Quarterly Report as of 31st March 1990 has been published and may be obtained from:

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London EC2N (E) N.M. Rothschild & Sees Limited New Court, St. Swithin's Lane, London EC4P 4DU

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To The Holders of Salomon Inc. 4,000,000 U.S. Dollar Call Warrants on the Nikkei 225 Index Issued May 8, 1990

Notice is hereby given by Salomon Inc (the "Company") that the Settlement Amount receivable by holders with respect to the exercise of two Warrants is an amount in dollars equal to (A) the amount by which the Spot Nikkei Index exceeds the Strike Nikkei Index, times (B) one Japanese yen, divided by (C) the Applicable Exchange Rate. If the Strike Nikkei Index is equal to Applicable Exchange Rate. If the Strike Nikkei Index is equal to or exceeds the Spot Nikkei Index, the Settlement Amount shall be zero. For these purposes the Applicable Exchange Rate will be the offered spot rate for yen for dollars as determined on behalf of the Company by Salomon Brothers Inc by calculating the arithmetic average of such offered spot rates as are shown in the quotations of foreign exchange rates on the Telerate World Spot Currency Market Page, page 263 at 10.00 a.m. Tokyo time on the second Business Day following the Exercise Date or Deemed Exercise Date, after eliminating the lowest and highest of such rates or, if such rates are not so available at such time, the arithmetic average of the rates quoted by three leading banks the arithmetic average of the rates quoted by three leading banks in the foreign exchange markets selected by Salomon Brothers Inc, on behalf of the Company. As a result, a holder exercising Warrants will not be able to ascertain at the time of exercise the warrants will not be able to ascertain at the time of exercise the Applicable Exchange Rate or the Settlement Amount of such Applicable Exchange Rate or the Settlement Amount of such Applicable Exchange Rate or the Settlement Amount of such Applicable Exchange Rate or the Settlement and Deed Poll relating to the Warrants.

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DIGEST

From Third World famine to the AIDS epidemic, the world still faces a gamut of health challenges.

Alan Pike explains the Health for All initiative, involving 167 western and developing countries and the WHO, which is working for better world health by the year 2000

## in search of longer life

THE WORLD is on a 10-year countdown targetted to achieve "Health for All". This does not mean all disease will disappear by the year 2000, or that resources devoted to health care in Africa will equal that of the US by the

turn of the century. But, even so, the goals of the Health for All campaign, involving all 167 member states of the World Health Organisation, are highly amhi-

A central pillar of Health for All is to provide adequate and essential health provision, and to reduce inequalities within and between nations by at least 25 per cent by 2000.

To succeed, the campaign

To success, the campaign will need not only the political backing of governments in both industrialised, and less developed countries, but also imments financial backing.

March will depend on whether

immense financial backing.
Much will depend on whether
the "peace dividend" can in
part be a "health dividend".
In the US, where health
spending leads the world, the
death rate from heart disease
among middle aged men is 466
per 100,000 for whites and 666
per 100,000 for blacks.
And in Europe, there is still
a 20-year difference between
countries with the best and
worst life expectancy levels.
Infant mortality rates in parts
of the Continent are up to 17
times higher than in ethers.

In developing nations, however, issues are more basic,
and involve not just the provi-

and involve not just the provi-sion of elementary services, such as sale water and sanita-tion, but also fragile economies and the burden of foreign debt.
Disease, pollution, poor nutrition; and rising health

care costs, against a back-ground of international economic pressures, are all formi-dable barriers to the creation of a healthier world with a more even spread of health

Many of the 40m people who die around the world from dis-ease each year could be saved. The WHO calculates that 200m people are likely to die prema-turely from preventable causes

Most of these deaths will be in developing countries where, each year, 14.6m children under five years of age die from curable or preventable ill-nesses. More than 11,000 chil-dren die every day from dehy-dration caused by diarrhoea, and 8,000 from conditions which involve simple immuni-

sation.

Premature death is not only rife in developing countries.

The world's biggest single biller is cardiove-cular disease which causes 12m deaths a year. Another 4.8m die from cancer.

Madical experts say changes in lifestyle and diet, and the

eradication of tobacco smoking, would halve the toll.

As a result, a significant part of the drive for improved health in the west involves encouraging people to avoid unnecessary health risks.

Health care expenditure ranges from an annual \$5 per person in the nonrest coun-

person in the poorest countries, to an average \$460 in western Europe and \$1,900 in the US.

In western countries, the main concern is with contain-ing spiralling demand for bet-ter health care and the associ-ated growth in its cost, This is leading governments to examine health care financing to see whether savings can be made without cutting standards.

The UK Government, in

response to years of demands to inject more money into the centralised, cash-limited National Health Service, next year plans to restructure the service on managed-market

The Government hopes to increase hospital efficiency and lower costs by replacing specific contracts with general At the same time, overse

observers, particularly in the US, see the NHS as a model of cost control which provides Health care consumes about 12 per cent of GDP in the US — almost droble the UK and Japanese levels — and is predicted to climb to 15 per cent this decade.

Health insurance premiums mee sharply in the US in the 1986s Recent attenues by some companies to reduce employee cover have provoked industrial

cover have provoked industrial disputes.

The international debate about health care finance is less about the relative merits of private and publicly-funded systems — there is a substantial amount of public cash in the most apparently private of systems — then on how to control costs and increase efficiency

ciency.
Professor Alain Enthoven, at the graduate school of business at Stanford University, promoted the managed market





US and European health care

US and European health care systems in a report recently published by the OECD.

He said a free market in health could not produce either equity or efficiency. Public section monopolies, on the other hand, also had problems—including the lack of real incentive to improve efficiency. A describe aitmaion would be to separate demand from

be to separate demand from supply "so that an independent demand side could present the desires of consumers and turpayers to the providers, set standards, measure performance, and make choices," Prof Enthoven said.
The UK Government hopes

that the NHS reforms will work towards this by turning public health authorities from providers of health care into organisations which will purchase it from hospitals operating as semi-independent supplities are trying to contain costs is through reducing spending on pharmaceuticals. At the same time, drog companies are trying to counter this by mounting a vigorous campaign

to convince the public that this
is not the right approach.
Mr Richard Kogan, president
of Schering-Plough and chairman of the US Pharmaceutical Manufacturers Association -which has member companies supplying half the prescription drugs used in the western world — said in a lecture last month that the industry saves billions of dollars in costs resulting from disease. He said drugs should not be seen as

orugs should not be seen as part of the health care cost problem, "but instead is a vital part of the solution."

Mr Kogan defended the need for the pharmaceutical companies to make profits, given that a new product cost more than \$200m and \$200m \$200m over about 10 years to

year alone, the industry would spend an estimated \$8.2bn on

product development.

"And we are making these medicines available at prices that — after adjustment for

inflation — are actually lower than 1967 prices," he said. In the 1990s, the industry would spend about \$130bn dol-lars on research and development. This compares with the \$25bn the US spent to put a man on the moon, Mr Kogan The political and social

changes in eastern Surope are likely to offer marketing oppor-tunities for western pharma-ceutical companies and hospi-tal equipment suppliers.

in the eastern bloc countries is relatively low, running at 2-3 per cent of GDP compared with levels of 6-9 per cent common in western Europe, but demand is expected to grow if the for-

mer communist economies

The east European countries have not achieved the same improvements in life expectancy and other health indicators as have those in western Europe. This leaves scope for transfer of health promotion advice from west to east.

Dr Daniel Pierotti, regional officer responsible for the WHO's family planning programme in Europe, is putting together a support package for

Between 1967 and the overthrow of the Government last year, abortion and contracep-tion were banned and Romanian women were encouraged to each bear five children. As a result, between 500 and 600 women a year died from illegal abortions - by far the highest

mortality rate in Europe.

The anti-abortion law was repealed after the revolution, but Dr Pierotti says there remains a need for western Ageing populations arising from demographic changes will put additional pressure on the health systems of both developed and developing countries into the 2000s.

If The drug industry, If ALOS in the 1990s; Smoking Technological adv
 Glasgow's health; **II** Health promotion , Page 3



By western standards, public health programmes in developing countries such as Ethlopia (far left) can be staged inexpensively. In comparison, medical research in western nations (second left) costs billions every year.

By 2000, a majority of the world's population aged 60 and over will be living in developing countries, where pressures on health care systems are

already intense.
The AIDS epidemic is another factor which is bound to have an untold impact on health care systems.

It has been suggested that 6m people may have AIDS by the year 2000, but there is no concrete basis for such calculations and they could prove to In the UK, the Institute of

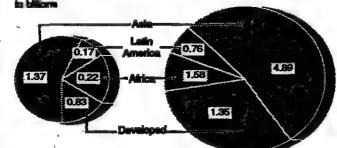
**Health Services Management** says coronary heart disease, accident prevention and cancer are the leading areas in need of

In all cases, health improve-ments will not take place in isolation from other economic and social factors.

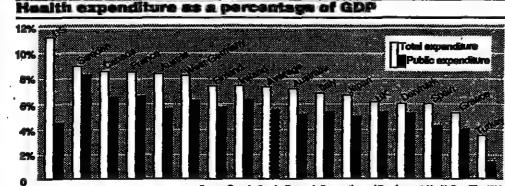
At the recent WHO ass im Geneva, Dr Hiroshi Naka-jima, the director general, stressed that health issues were "inextricably related to issues of development and social equity."
He expressed the hope that

the easing of tensions between East and West would create a "health dividend" through money saved in defence expen-

### Population distribution



1950



Developing countries face almost insurmountable problems

## The odds stack up

CIVIL UNREST, natural disasters and overseas debt heavily interfere with the mas-sive health problems of developing nations.

A spokesman for Panama addressed the recent annual assembly of the WHO in Geneva about the plight of several countries comprising the Central American Sub-Region Health Sector. He said: "During the 1980s,

living conditions in Central America have been worsened by violence. More than 150,000 people have died in armed con-flicts. There are nearly 500,000 misplaced persons in the region.
"Our resources are

exhausted by so much war. Our people are devastated by unemployment and poverty which has increased, particu-larly among the very poor. Per capita income has fallen by

about 20 per cent.

These problems have been made worse by drought and earthquakes. And then there are our fiscal problems of debt and debt servicing. "Only about 50 per cent of our people have access to medi-cal services and good drinking water. Infant mortality and maternal death rates are high. "AIDS, other sexually transmitted diseases and tuberculosis are all increasing. More that half of the child popula-tion is affected by mainutri-

"Although our countries are committed to the goal of Health for All by the year 2000, our resources are diminished even for low-cost pro-

This was a forceful illustra-tion of the scale of problems which have to be solved if health standards in developing

countries are to improve. In the 1990s, about 30m peo-ple, mainly in developing coun-tries, will die from tuberculosis, which has a simple cure. At the same time, diarrhocal diseases, linked with dedydra-tion and malnutrition, will kill 40m children. Oral rehydration therapy could prevent a major-ity of these deaths.

The maternal mortality rate

in developing countries is more than 14 times as high as in developed ones. Infant mortal-ity is five times higher. The majority of women who die every year from complications associated with pregnancy – 494,000 out of 500,000 – are in veloping countries.

Some progress has been made during recent years in raising health standards in the Third World. About 60 per cent of children in developing countries are now immunised by their first hirthdays, compared with only 5 per cent in 1974. with only 5 per cent in 1974. Many more places have access to safe water supplies.

But these improvements have generally benefited urban populations more than rural ones. The present challenge facing governments and other agencies is to improve standards in rural areas - and maintain them in the towns as rapid urbanisation puts increased pressure on services. Population growth exerts

vast pressure. The current world population of 5.3bn, of

whom about 1bn live in pov-

erty, is expected to grow by another 1bn by the year 2000 -an increase of 3 people a sec-

More than 90 per cent of this growth will be in developing countries. The UN predicts the world's population will double and possibly triple - in the 2000s.

2000s.

Rooming world population will spearhead a dangerous escalation in pollution.

The UN Population Fund's annual State Of The World Population report says: "One of the clearest lessons of the last two decades of work in population is that investments in human resource decades of work in population." human resource development - for example, improvements in women's status, access to education, health and the means of family planning - not only improve the quality of life, but are also the best and quickest way to reduce the population growth rates. By opening up options for the present, they open up options for the future."

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### Alan Pike on the AIDS menace of the 1990s

## Facing statistics

threat to world health pres-ented by AIDS remains impossible to quantify but is poten-

tially disastrous to neglect.
Specialists predict that the 1990s will see far more serious manifestations of the problem than in the 1980s.

The message of campaigns being run by governments and other organisations is that there is no room for complacency, even in geographical areas or among groups where the current risk level appears

At the beginning of this year, 203,599 cases of AIDS had been reported in 152 countries. In many instances, however, reporting is not reliable and it is estimated that the actual number of AIDS cases world-

wide is around 600,000. The statistics do not take into account undetected HIV infection which will develop into AIDS in years to come. The World Health Organisation estimates that there are between 6m and 10m people in the world infected with HIV. In Europe the number of HIV-in-fected people has been esti-mated at 500,000.

The WHO has developed two

projections for the possible

One, based on the estimates of HIV infection and the current levels of progression from HIV to full-blown AIDS, projects that the total number of AIDS cases will enceed im peat

A longer-term projection, which involves estimating the number of new cases of HIV infection likely to occur in the

infection likely to occur in the future, suggests that there could be three times as many new cases of HIV infection in the 1990s as in the 1980s.

On the basis of these estimates, some 6m people may develop AIDS by the year 2000—with half of those developing AIDS in the 1990s having been infected in the 1980s.

Some sources suggest these Some sources suggest these

estimates are conservative.

The opportunity for the HIV virus to spread with the opening up of eastern European countries is a preoccupation among health officials in

Eastern Europe, including the Soviet Union, has a remarkably low level of reported instances of AIDS.

Only 315 cases have been diagnosed - a third of them in Yugoslavia - compared with 32,000 in western Europe.

Since the revolution in Romania, however, it has become clear that although this country's figures are high by east European levels - 74 AIDS cases and 747 instances of HIV infection - the authorities have severely understated the true position.

Until this year, blood used for transfusions in Romania was not systematically tested for HIV. A large number of cases of AIDS and HIV infection, often in children, has

WHO reports say the num-ber of known AIDS cases in

In the UK, 1,807 of the 3,247 AIDS cases reported at the end of last month had died.

Romania "may represent only a fraction of the total size of the epidemic in that country." This does not lead WHO offi-cials to believe that the low level of recorded AIDS cases elsewhere in eastern European countries – only 1 per cent of the European total – is

equally understated.

Travel restrictions under the former communist regimes are likely to have inhibited the spread of the virus.

The results of a widespread testing programme of more than 47m people in the Soviet Union published earlier this year support its low level of

WHO officials are concerned that increased travel to and from eastern Europe may stimulate a new wave in the AIDS pandemic.

For example, in Poland and Yugoslavia, most of the recorded cases of HIV infection are among intravenous drug users, and there is anxiety that these numbers will grow with more drug use as borders open.

Plans are being developed to help eastern European govern-ments strengthen their programmes to prevent and control AIDS.

In the UK, 3,247 AIDS cases had been reported by the end of last month. Of these, 1,807 had died. In addition, there are more than 13,600 known cases of HIV infection. Homosexual and bisexual

men account for about 80 per cent of the UK's AIDS cases, although the percentage increase in this category has declined in the last year. Heterosexual infections make up only 6 per cent of the UK total but the number of

cases is increasing. The global picture shows the majority of AIDS cases are being spread by haterosexualo

The UK Government and the Health Education Authority are making a concentrated effort to emphasise the dangers of AIDS to the heterosexual

This reflects concern that heterosexuals have not shown the same willingness as gay men to adopt safer sexual prac-tices, giving rise to the risk of further growth in the rate of

	AIDS IN EUROPE	
Country	Reported cases to Dec 88	Estimated rate per million population
Czechoslovakia	19	1.2
Denmark	518	101.5
France	8683	158.3
East Germany	19	1.4
West Germany	4308	70
Greece	217	27.7
Hungary	32	3
italy	8307	92.1
Netherlands	1074	72.1
Potand	28	0.7
Spain	4633	118.2
Services	380	44.7
Switzerland	115	175.6
LIK	2520	49.4
USSR	26	0.1
	Sour	ce: World Health Organisatio



### **DRUGS**

## **Profit-making** in the balance

THE CONSUMER has become the unwelcome visitor knock-ing at the door of the world's lucrative \$150bn-a-year pharmaceuticals industry.

Although drugs are usually categorised as consumer items, people generally have no control over the medicines they take and the way they pay for

This is changing, however, as governments bring the consumer into the equation in order to establish a price mechanism in the industry as a means of restraining rising

People are being given more information about their medical treatment and new pricing arrangements are being set in

The drugs industry, including large pharmaceutical com-panies like Glaro of Britain, Merck of the US and Bayer and Hoechst of West Germany, are caught in the middle of the debate but in many cases are unsure of how to respond. The pharmaceuticals sector is among the most profitable of

The medical profession's mystique is associated with the lack of direct consumer involvement. Most people are only too happy to trust doctors with the prescription of medi-

cines.

The public is also discour-

aged from taking an interest in costs when the bill for most medicines is picked up by gov-ernments or state-backed. insurance agencies, such as in Europe.

Because of this, the drugs industry has established regu-lar price rises by creating a "cost plus" culture by isolating consumption from payment.

The industry describes escalating costs as a result of the sector's expensive research and development (R&D) costs and the absence of price mech-

of turnover on R&D: much more than other high-tech businesses such as aerospace and telecommunications.
Increasingly stringent safety
regulations enforced by gov-

for more time and money for complex development trials before products are released

Better management methods and more accurate selection of therapeutic areas for study have been nominated as means of reducing the R&D burden and of improving the sector's

growth prospects.

But the range of products required to treat the panoply of health problems, and even the difference between individuals reaction to conditions and various medications, also makes

car. In contrast, off-patent med-icines, which are subject to a swell as with Medicaid, the

A typical pharmaceutical company spends 10-15 per cent

ernments is putting pressure on R&D spending.
This has resulted in the need

onto the market.

R&D - and regulation -costly and difficult. Prices for drugs vary accordingly. A year's supply of a new research-intensive product can cost about the same as a small



A worker at Nippen (News) a breakest factory to Japan

large amount of competition. have prices comparable with boiled sweets.

In Europe, prices are generally controlled by these com-plex agreements between governments and drug compar This involves governments guaranteeing higher prices to companies which make investments in their countries.

Prices for the same medi-cines differ across the Conticines differ across the Conti-nent, with average prices in West Germany commonly twice as high as in low-price countries such as Spain and Portugal (see table).

However, these cost plus pri-cing structures are running

into trouble as governments come under pressure to cut health expenditure.

drug prices which have led to cries of outrage from drug Doctors have also been drawn into these cost cutting

state-financed authority in the

Drugs bills are one of the exiest targets for cost cutting.

The governments of Britain

and West Germany have spent two years introducing mea-

sures to cap rises in drug spending. In the US, politicisms

The Japanese Government has instituted tough cuts in

the cost plus economy, even the drugs industry is acknowlspending in the OS, pointering such as Sensior David Pryor, chairmen of a special Sensior committee on ageing, have hit out at rising drug prices and haled this with the high profits of the industry.

The Javanese Consequent edging the need for more pub-lic involvement.

measures. For example, Mr Kenneth Clarks, the UK Health

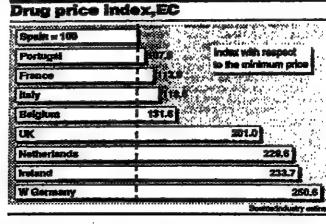
Secretary, is keen for British GPs to adhere to indicative drug budgets, to impose upper

limits on drug spending.
While this will help dissolve

Cibe-Geigy, the large Swiss pharmacentical company, has taken the lead, by encouraging debate about side effects of medicines. The general feeling, how-

ever, is that if will take many years for a real shift in atti-

## World drugs market Total 1988 market \$150 billion W Europa 28% N America 20%



Anti-smoking campaigns still have ground to cover

## Tobacco moves into a corner

THE BATTLE for better health has its enemies and, in the eyes of health promotion prosionals, there are few more evil than tobacco.

Cigarette smoking is the

largest preventable cause of premature death in most coun-tries. In Europe alone, between 500,000 and 800,000 people die each year as a result of smok-ing-related conditions. Smoking is also linked to

about 90 per cent of fatal lung cancer, to 75 per cent of deaths caused by chronic obstructive lung disease and to 25 per cent of fatal coronary heart disease. The European region of the World Health Organisation calculates that if present smoking patterns persist, 100m of the

850m people living in Europe Worldwide, assuming there is no increase in consumption, the WHO expects a death rate of 10m a year until the middle of the 21st century.

A significant change in recent anti-smoking campaigns has been the emphasis on pas-sive smoking. Although challenged by the tobacco industry, there is an emerging view that exposing non-smokers to air polluted with tobacco smoke is a health risk.

An increase in smoking bans in workplaces, public buildings and on public transport has Dr John Roberts, the man-

ager of the WHO's European "Tobacco or Health" campaign, and his colleague Dr Tapani Piha, collect examples of promotional material which health authorities around the Continent are using to convince the public of the scale of the

in their Copenhagen office shows jumbo jets crashing into ashtrays as a means of showing the contrast between the dramatic, highly-concerned reaction which follows an air

crash and the complacency about the much higher death toll from an avoidable disease. Posters point out that for every 1,000 young male adults who smoke, one will be mur-dered, six will die on the roads

For every 1,000 young male adults who smoke, 250 will be killed by tobacco

and 250 will be killed by tobacco.
"We are trying to market a product called health," says Dr Roberts. "Who are our competi-

tors in the market place? "One is the tobacco industry and we have to market our product against theirs, using the same methods where nec-

One application of this approach is to compete with tobacco companies to promote at sporting events. This has led to an agreement that the next summer and win-

ter Olympics will be smoke

free, with a ban on tobacco

company sponsorship and

advertising.
WHO officials hope this will set an example which national teams will follow when they return to their home grounds. Finland has been particularly successful at reversing

the link between tobacco and

sport which has arisen from sponsorship, and developed the concept of the No-Smoking

Sports clubs joining the scheme wear official No-Smoking logos on their kit and include health promotion in their training activities. At last month's world con-

gress on smoking and health in Perth, Australia, Dr Hiroshi Nakajima, the WHO director general, described the Tobacco or Health programme as a camor hearn programme as a cam-paign to protect human beings "against other human beings peddling a dangerous drug." The WHO argues that, like other drugs, a reduction in consumption can only be achieved if there is a parallel reduction in production. This causes conflict with some developing countries where tobacco production is a signifi-

cant source of income. But WHO officials say that many of the medical advances which technology is making possible in developing countries will be eliminated if tobacco consumption there

grows to western levels.
"Money which people stop
spending on cigarettes is likely to be diverted to other leisure activities and services ranging from holidays to health insur-ance," says Dr Roberts. "I believe it would be in the

commercial interests of some

of these sectors to sponsor anti-smoking campaigns Dr Roberts would like all governments to spend the equivalent of 1 per cent of tobacco sales on anti-smoking

Australia is an example of a country which is beginning to link health promotion expendi-ture to tobecco sales. Dr Roberts also wants health employees to see themselves much more as "bealth promo-

tion reps." "There are 4m nurses in Europe. But they have been inclined to see their role as restricted to curing people

rather than promoting better health," he says.

As a starting point, the WHO has called on all health service staff to stop smoking and make health services premises hospitals, doctors' surgeries, dentists, opticians and pharmacles - smoke free by 1993.

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The Golf fing and apple logo is a trade muck of Health and Leisum International Limited.

VEDNESDAY MAY 30 194

### **WORLD HEALTH CARE 3**

Scotland has a poor health record, but the UK has a lot of expertise to offer less developed nations, explains Alan Pike





## Glasgow joins European health campaign

as the European Capital of Culture, it is trying to improve its dubious position in the international health league.

The city is one of 31 around Europe taking part in a Healthy Cities project which aims to push health issues higher on social and political agendas to improve the quality of life for their populations.

Classow rates poorly against Glasgow rates poorly against the collection of cities. Its health record is worse than the rest of Scotland, a country with one of the worst records in the developed world.

In spite of a more than 100

years of positive public health projects, Glasgow's death rates from lung cancer and heart disease remain among the highest in the world. If the city's mor-

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well E GLASCOW exhibits its artistic splendours to visitors as the European Capital of Culture, it is trying to improve its tality level among under 65 year olds came down even to the Scottish average, there would be almost 1,000 fewer

deaths each year. Inequalities in the city's health standards are illustrated dramatically.

People in its most deprived

areas are 2%-times more likely to die before they reach 65 than those in the most affinent This link between social sta-tus and ill health is even more striking in the case of some specific illnesses.

For example, there is a four-fold difference in levels of lung

Children in Glasgow's inner city and peripheral estates are 50 per cent more likely than others to have low birth weights, while in one of the

city's most deprived areas almost a quarter of all bables are admitted to hospital before their first birthdays.

Bables in poorer areas are

less likely to receive full primary immunication. terms of personal habits.
It is well above the national average for smoking and alcohol consumption.

In addition, Glaswagians have traditionally enjoyed foods high in fat and sugar These factors are also related

to social class — 70 per cent of people in deprived areas eat white bread, compared with 25 per cent in affluent ones. Breaking into this complex mixture of social, cultural and economic problems cannot sim-ply be done by spreading better

health alogans. "When people do not have adequate food or housing, it is very hard to address higher needs like per-suading them to think about adopting healthler lifestyles," says Mr Andrew Lyon, co-or-dinator of the city's Healthy

Cities scheme,
"The conventional health promotion agenda can appear almost insulting in such cir-

cumatances.

"So the solution has to involve bringing together people and organisations that do not normally work together to tackle all aspects of the issue."

Glasgow's Healthy Cities programme is financially supported by the Greater Glasgow Health Board, Glasgow Council and Strathelyde Regional Council.

something which these public authorities can simply force on citizens. The programme will only succeed if it gets public backing.

Ar Lyon and his colleagues

are preparing a Healthy City Plan to be submitted to the World Health Organisation later this year. It will be the foundation of Glasgow's efforts to improve health standards. A draft of the plan stresses the need to establish a new public health tradition in Glasgow, and takes a clear position on the necessity to resolve related social problems.

"Just as the municipal authorities of the previous cen-tury attacked ill health of the most vulnerable groups through improvements in liv-ing and working conditions, so must we take article to comme city for the basic health resources of adequate income, shelter, food and environment," Mr Lyon says.

"When these basic rights have been addressed, individuals and communities are likely

to find it easier and more worthwhile to take action." In the next year, Glasgow's Healthy Cities project will focus on improvements in the six main areas of community participation, housing, acci-dent prevention, nutrition, women's health and to set up pilot areas to test the Healthy City plan.

To complement this, the health promotion strategy which contains a series of targets to spearhead campaign. These include achieving 10 per rates in people under 65; 25 per cent reductions in autorated by intake in Glaswegians' diets; and a 10 per cent cut in adult

One of the problems the programme faces is the cross-over of health responsibilities between different local and central government depart-

This can meen a department not related to health has to be persuaded to spend heavily in order to achieve uncertain savings in another department's budget in future.

"It is hard to calculate how much poor housing costs the National Health Service," says Mr Lyon. "But it is a very con-siderable amount."

## World A RESPARCH programme underway in London aims to tackle some of the leading problems facing developing countries and the world. One topic is the challenge presented to governments by the urbanisation trends in the Third World. By the turn of

Britain

to help

Third

the century, 44 per cent of the Third World's population will live in urban areas dominated by slums, shanty towns and squatter settlements. The programme, launched this month by the London School of Hygiene and Tropical Medicine, has support from the UK Government's Overseus Dévelopment Administration. Other subjects covered by the research, called A New Partnership in International

Realth, are: Child cyldemiology. focusing on diarrhoeal diseases and respiratory infections, responsible for about half the deaths in children under five in

developing countries.

Population and health: examining the demographic and social factors behind household inequalities in mortality and the inadequacies of family planning services.

• Ageing: many developing countries, like those in the west, are experiencing growth in the proportion of elderly people in their populations. In India, for example, over 60 year olds will increase by 400 year cont by 2025. The research of the 2025. The research of the 2025. per cent by 2025. The research will look at the implications of this for policy-makers and health planners.

· AIDS in Africa: drawing up guidelines for the control of AIDS and other or AIDS and other sexually-transmitted diseases at primary health care level, and developing plans for the coutrol of TB in the African countries worst affected by the AIDS epidemic.

Tropical disease control: developing training for Third World nationals to take over as principal investigators into methods of controlling tropical parasitic infections like malaria.

Environmental health: thicking the health benefits of water and santiation and producing programmes for more effective environmental management systems.

 Bealth economics and financing: bealth economic skills are in short supply in developing countries and the London School hopes to create a programme which will make a significant contribution to

changing this.

Appropriate technology: identifying and developing appropriate technologies for better diagnosis of infectious diseases in Third World completes.

### **HEALTH PROMOTION**

## **Bodyworld for Tyneside**

GATESHEAD on Typeside is the festival between now and hosting an innovative health. October.

The Northern Regional Health Authority is claiming a world first for its ambitious Bodyworld campaign which will run at the National Garden Festival. The organisers of Bodyworld lecided to go further than plac-

decided to go further than plac-ing a health promotion stall on the fringes of the festival.

Bodyworld will occupy 1200m<sup>3</sup> in five exhibition domes, and is expected to be one of the leading attractions for the 2m people due to visit

Life, which visitors will walk through making choices about exercise, smoking, drinking and diet. Another exhibition is called Body Fair.

called Body Fair.
Set out like an old-style fairground, it will feature attractions like Shoot for Life — a
shooting gallery based on alcohol consumption — and distorting mirrors which reflect
visitors' distary habits.

A private hospitality suite
will be available to companies
wishing to promote health food

menus. There will also be sporting demonstrations, dis-plays about the region's health services as well as other enter-

Visitors will even be able to use laser disc technology to write the plot of a television-style soap opera in which the characters play risks with their health.

neatth.

The regional health authority decided to sponsor the project two years ago on the strength of large-scale expostrength of large-scale expo-sure offered by the national festival. The 40 staff members have received training in health promotions skills as well as public relations.

The authority believes Body-world will prove to be a sophis-

worth will prove to be a sopraticated, progressive and enter-taining way to promote better health practices. It is an exper-iment in breaking away from established methods of promo-

Alan Pilos



He has his mother's eyes, his father's

and a transplanted kidney...

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### Computers aid health system efficiency, says Clive Cookson

## Legwork runs out with IT

HRALTH CARE is lagging behind other service industries in the area of information technology (IT).

Only 28 per cent of health care expenditure in most industrialised countries is described to countries and seem devoted to computers and asso clated communications systems. The proportion in the UK's NHS budget last year was just 1 per cent.
In contrast, the banking and financial services industries generally devote 68 per cent of

revenues to IT.

Hospitals do not have to spend as much as banks on computers, but there is growing support for IT as a mesons of improving the multiple and of improving the quality and efficiency of health care

efficiency of health care around the work.

The UK Government plans to double NHS spending on IT this year and next, although complexities of the systems specification and bidding process may cause some delays.

An additional \$127m has been allocated for 1990-91.

This includes £78m for "resource management." \$55m

resource management," \$55m for "hospital information sup-port systems" and \$24m for general practitioners to buy

general practitioners to buy computers.

As well as increased spending in the NHS, priority will be given to get existing systems working well.

This problem is linked to the purchase of stand-alone computers by many hospitals and health authorities which gave no thought to how they would communicate and exchange

communicate and exchange data with other computers. A priority of the NHS's IT programme is therefore to

programme is therefore to develop standard software and hulld a communications torre-structure so that the existing systems and new computers can work together.

The first step towards an NHI-wide data network will be to establish a network for the Family Practitioner Service.

PHARMACEUTICALS

CHARITIES

By April 1991 this will con-nect local Family Practitioner Committees to the NHS central register in Southport, individual GPs will then be

able to connect their surgary computers to the network. The long-term plan is for the system to extend to hospitals and elsewhere, so that all parts of the NHS can exchange medical, financial and administrative information, subject to

subgrands about patient confidentiality.
In the US, where there is no national health service, many individual hospitals and health maintenance organisations are heavily investing in new com-

puter systems.
But even within a single there is often little integration of computers.
Ms Susan Campbell, of

Ass Susan Campbell, of Andersen Consulting, a large international health care consultancy, says: "different departments typically use different systems from different vendors to acit their individual needs."

needs."
As a result, "sneakernet" is a common mans of communication between computers in US hospitals. This involves a person in manher — rubber sold sports shoes — running data from one department to another because there is no electronic link. electronic link. Integrated computing systems increase efficiency and

productivity, raise the quality of service and help to relieve the pressure of rising costs. Computerisation of health care, according to Mr Bill Latti-

hearth care practice, helps
"find the right balance
between cost and quality."

If also reduce the amount of
time doctors and nurses spend on routine clerical tasks such as filling in forms and tran-scribing records.

Computerisation will give

### FINANCIAL TIMES SENERAL MENERAL CONTROL January 29 UK HEALTH CARE INDUSTRY & THE ENVIRONMENT March 16 QUEEN'S AWARDS April 23 AUTOMATIC IDENTIFICATION May 23 erowing Business July WATER DIBUSTRY July TECHNOLOGY TRANSFER August DIDTRIBUTION SERVICES October

infection and consequent anxiety. October a legal duty to protect their staff against these December

operated and a 1986 OF IA FOR CALLERY O DOOR 11 1974 873 4090 the productivity of nurses dur-ing the 1900s when the number of young women — the tradi-tional recruits for nursing — Repeat prescriptions, for example, are far more likely to be accurate when they held on proportionally falls in Europe and North America. In the computerised health care system of the future, med-ical records are likely to be Nursing estimates that there is

"We found that you could save an hour a day for each muse by introducing a computerised clinical record-keeping system," says Dr Carolyne Davis, a health care consultant

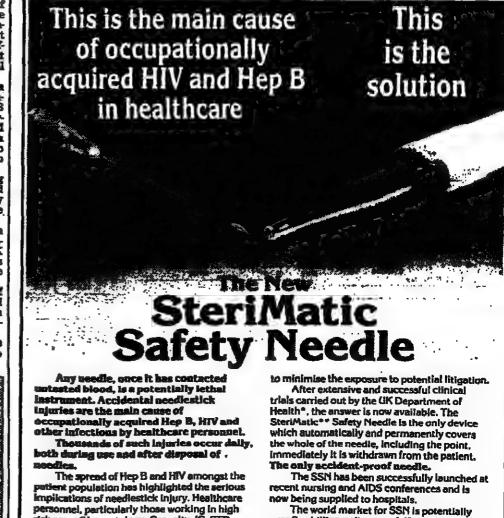
with Ernst and Young. Finally, hospital computers can save lives by reducing the number of errors that are made when medical records are writ-

ten and transcribed on paper.

hald both on a central database and on "amart cards" - plastic already a shortage of 200,000 cards incorporating memory and processing chips - which and processing chips - which would be kept by individual Andersen Consulting has set

up probably the ultimate dem-constration of the potential for The "Hospital of the Future," a permanent exhibition in Dallas, Texas, includes hardware and software from 40 different vandors.

Alan Pike



risk areas (Haematology, Casualty, IC, STD. Renal, etc) need protection from potential

over five billion units annual. If your company is interested in distribution and/or manufacture of medical equipment, or if you are concerned with healthcare management, and would like to know more about the SSN range, please contact our Managing Director, John Parry, at the address below.

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### COMMODITIES AND AGRICULTURE

## Ireland will provide new source of zinc in Europe

By Kenneth Gooding, Mining Correspondent

**IRELAND NOW seems certain** to provide a substantial new source of zinc to replace some of western Europe's rapidly-de-

clining output.

Conroy Petroleum and Natural Resources said yesterday the final feasibility study on its project at Galmoy, straddling the border of counties Kilkenny and Laois, showed reserves could support a mine for at least ten years with an output of about 70,000 tonnes of zinc a year.

Senator Richard Conroy, chairman and chief executive, said his company would apply for planning permission almost immediately. He hoped there would be pilot production at the end of 1991 and the mine would be at full capacity a year

The mine would produce 85,000 tonnes of zinc annually for the first two full years. But he admitted this was a tight timetable and left little room for manoeuvre.

Kilborn Engineering of Van-couver, which carried out the study, estimates the capital cost of the Galmoy mine would be US\$65.6m. It should break even, on a

cash operating cost basis, at a zinc price of 27 cents a lb, including smelting, refining and transportation charges, which would make Conroy among the lowest-cost produc-ers of the metal.

Last year zinc averaged 77.6 cents a lb against 56.3 cents in 1988. Last night the price was

Conroy does not expect serious problems with its planning application. The company will stress that it intends to provide 189 jobs and to inject I£4m in annual wages into local communities

The budget includes \$5m to clean up the site after mining



ceases, and Conroy's environmental impact study included, as well as the usual elements, a detailed examination of local archaeology as well as the pos-Once the mine is operating, Conroy hopes to dispel doubts about it by encouraging visi-tors with exhibitions and refurbishing some of the derelict

property on the site.

Conroy plans an underground mine even though the ore is on average only 80 metres deep and in the US would have been mined by open-pit methods. So far Con-roy has located two ore bodies, the CW and the G, 900 metres

The CW deposit is 400 by 700 metres and, according to Kil-born, contains 3.9m tonnes of mineable ore containing 12.2 per cent zinc. The G deposit, 300 by 500 metres – but still not fully explored – has 2.2m mineable tonnes of which 11.3 per cent is zinc. About 94 per cent of the metal can be recov-

The only significant chal-lenge identified is water at the site. Conroy will sink ten wells around each ore body and 700

### Simex leads in race for sour crude oil futures

By Steven Butter

SINGAPORE International Monetary Exchange (Simex) yesterday took the lead in the international race to begin trading in a sour (high sulphur) crude futures contract with the by signing a wide-ranging agreement with Outokumpu, the Finnish state-owned group announcement that trading will start on June 21.

The contract will trade Dubai crude oil in lots of 1,000 barrels, for cash settlement. The daily settlement price will be determined by an industry

The contract will fill a gap in currently available futures instruments in the energy mar-kets. Contracts for light, lowsulphur crude have been successfully established at the New York Mercantile Exchange, which trades West Texas Intermediate crude, and at the London-based International Petroleum Exchange (IPE), which trades North Sea Brent crude.

The Dubai contract however could serve as a hedging mech-anism for most crude oils coming out of the Middle East, which is supplying a progres-sively larger share of world oil demand. Dubai is already the benchmark Middle East crude, against which a large number of contracts are priced, according to prices reported by services such as Platt's.

The IPE and the Nymex are also in the process of drawing up specifications for a sour crude contract. The IPE contract will be based on Dubai crude and will likely be designed with similar specification to the Simex contract, allowing traders to manage similar positions in both mar-kets and adding to overall liquidity. The IPE contract is expected to start trading some-

time this summer. The Nymex has yet to decide on the specifications for its sour crude contract, whether, for example, it would be based on Dubai crude or Alaska North Slope crude.

The Saudi Arabian Oil Com-

pany, Aramco, puts the king-dom's crude oil reserves at 257.5bn barrels as at the end of 1989, compared with 252.38bn barrels a year earlier. The latest figure, reported in the ammai report, does not appear light, low-suiphur crude which is still being evaluated.

current review of the TFAP

## EC may have to buy unwanted British beef

CONCERN IS growing in Brussels that BSE, or mad cow disease, could have expensive knock-on effects for the European Community, writes Tim Dickson in Brussels.

Officials are awaiting the outcome of a meeting on Fri-day when the EC may have to buy quantities of meat shunned by UK consumers as result of the BSE outbreak. The Commission line is that there will be no relaxation of restrictions in the revised beef regime introduced last year. But Brussels may have no choice but to react to the pres-

ent dire market circumstances.

The main feature of "inter-vention" is that the total quantity bought in during the year to April should not exceed 220,000 tonnes for the entire Community. In an effort to control the market Brussels likes to keep tenders at this traditionally quiet time of the year to 6,000 to 7,000 tunnes a piece but the EC is already breving in tules what it would buying in twice what it would normally due to upturn in pro-

That problem is now being compounded by the BSE scare. Beef sales and prices, for example, have also fallen in Ireland, which sold around

Interest is focussed on a part of the regulation which states that intervention shall be opened if, for a period of at least two consecutive weeks, "in at least three member states or regions... repre-senting overall 55 per cent or more of Community produc-tion of young uncastrated male sminals less than two years old ar contrated walls years old or castrated male animals, the price recorded for these categories. . . falls short of 80 per cent of the interven-

toms emerge. An infected cow first becomes either nervous or aggressive or both by turns.

aggressive of both by this.

Soon after that she appears to
have difficulty in walking –
particularly with her back legs,
which seem stiff – then she

loses co-ordination and starts falling over. There have been four confirmed cases over the last six months in the herds for

which I have some responsibil-

In every case the cattle have been identified as BSE suspects

by a vet, then quickly sent for slaughter. Brain tissue was

removed to confirm the diagno-

sis, and the carcass destroyed

to stop the meat entering the

food chain, as government pol-icy has dictated since August

It is, I think, worth noting

It is, I think, worth noting that there are government measures currently in force intended to stop any possible spread of the disease to farm livestock, or to humans, and which have persuaded people like me to continue esting beef. Since July 1968 no meat and bone meal has been permitted to be fed to ruminants; since December 1988 it has been probleted to sell milk from ESE suspects; and since November.

suspects; and since November 1988 there has been a ban on the use of brain and offel for

scaremongers was one of anger at their irresponsibility and distortion of the known facts. I

also thought that, like previous

day wonder. There is, however, a growing

food scares, it would be a nine-

109,000 tonnes to the UK mar-ket last year. . . regions: -for these purchases any offers at or below 50 per cent of the intervention price shall be accepted." Moreover. the regulation states, quanti-ties bought in these circumstances shall not be counted against the maximum quantity" of 226,000 tonnes. Ireland, Northern Ireland,

and Britain are aiready thought to have met these criteria for one week which is why Friday's meeting will be critical. There are also fears that traditional buyers of surplus EC beef could react nega-tively to snything that looked

201 1**219** 

## No qualms about the Sunday roast

'Mad cow' hysteria has not put informed people off British beef

AST SUNDAY lunch-time my family and I sat down to a joint of best British roast beef. That such an event might be considered newsworthy can only be judged alongside decisions by Britannia Airways, several education authorities and a host of individuals to turn against tradition because of bovine spongiform encephalo-pathy, (RSE) the so-called mad cow disease." It also, I suppose, allies us to Mr John Gummer, the UK Minister of Agriculture, who bought bur-gers for himself and his family to demonstrate his confidence

in their safety.

There is, of course, a paradox here. A farmer like myself who has known and read almost all that's been written about BSE for four years, and a minister like Mr Commer who has had access to the latest scientific evidence have no hesitation in continuing our established eating habits. Meanwhile many consumers who perhaps only learned of the existence of BSE a few weeks ago from the hysterical tabloid press have been so scared that they have stopped buying beef. For the sake of their own diet and of the livelihoods of UK beef producers I hope they soon recover their good judg-ment and return to normal.

The biggest problem with a disease like BSE is that there are a number of aspects about which it is impossible to be absolute. Intensive scientific investigations since the condition was first identified in 1986, however, have shown that the balance of probability that it does not and cannot jump spe-cies to humans is overwhelm-

Experiments deliberately intended to try to inject pigs, which have a similar metabolism to humans, and monkeys, and see how it can be made which are even more closely related to us, have all falled. In some cases known BSE-infected tissue has actually been injected into the animals' brains over a two-year period but still they have not con-

Moreover, the death of the Sizmese cat which speried off the current panic has never been positively identified as having been related in any way to infected meat or cows. The only certainty was that the cat had a disease which appeared similar to BSE.

Furthermore, the idea that BSE in cattle originally came from sheep with scraple is itself based on the circumstan-tial evidence that the two dises appear to be caused by a similar organism. Scrapte has been known in Britain since 1732, and cattle and sheep have grazed together since that

The feeding of mest and bone meal to cattle has been most widely blamed - partly because it was perceived as an unnatural practice and made cows into cannihals. This is not a new practice. To my certain knowledge and experience, meat and bone meal has been used as a protein in animal feeds for at least the last 50

During the late 1970s and early 1980s, however, the method of rendering the discarded portions of animal car-casses into meal was changed from batch to continuous flow. This change has been linked to BSE, implying that the process failed to eliminate diseased tissue, although the renderers themselves and the govern-ment officers who licensed the new processing plants deny that this was the case, and say they can prove it.

in short, there are still manswered questions about BSE, but that does not stop every jumped-up laboratory techni-cian from giving black and white answers to any branch of the media that cares to listan.

the use of brain and offal for human consumption from all cattle slaughtered in the UK. Mr Gummer, having taken advice from government scientists, is convinced that these measures are more than enough to ethninate say possible risk of BSE affecting humans. Like Mr Gummer, my first reaction to the tabloid exaremoners was one of smeer A li too often such opin-ions are less than objective, and based on the biased viewpoints of convinced vegetarians, many of whom seem compelled by an almost religious zeal to try to convert other consumers. Indeed, it seems to me that

46,000 lets

AM Official Kerb close Open Interest

body of opinion, some of it most of the scientists whose within agriculture, that the level of fear among communers prophecies of doom on BSE have caused consternation in recent weeks have come from combined with the as yet unanswered questions about ESE that kind of background. Not that anyone who has seen ESE would belittle its enforcement. At form level it is distressing to see the sympdemand further government action to persuade consumers that British meat really is safe to eat.

To remove even the remote risk of meat and bone mea! infecting other species of meat-producing animals with a BSE-like disease, the arguments go, it should be banned from animal feeding stuffs for all species. Inevitably this would create problems of disposal for the rendering trade and would raise the price of feed by a few pounds a tonne. Nevertheless many see such a move as desirable.

in addition, all calves born to cows which have subsequently been confirmed as BSE cases should, say the critics, be traced (every animal carries an ear number so it should be pos-sible to identify them) and slaughtered and incinerated like its parent. In the highly unlikely event that so-called vertical transmission of BSE from mother to progeny is a possibility this would, it is claimed, help eradicate the dis-

Up to now, Mr Gummer has resisted all such demands on the grounds that the best sci-entific advice deems them mry. He must by now, however, appreciate that, illog-ical as it may seem, British consumers take more notice of tabloid newspapers than of government scientists. If banning meet and bone meal, and slaughtering the progeny of BSE victims are the

measures it takes to persuade the British public of what he and I are confident of already, then I have come to believe that he should introduce them. Ultra-cautious and excessive they may be, but for public peace of mind they should stay in force until such time as BSE shores or the Ministry's £12m BSE research programme

### market, min 99.5 per cent, \$ per lb, in warshouse, 5.30-5.90 (3.60-4.00). COBALT: European free

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,710-1,760

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 3.00-3.50 (3.65-4.10). CADMIUM: European free

market, min. 99.5 per cent, \$ per lb, in warehouse, 3.50-3.80

save the tropical rain forest, possibly doubling present lev-els, was agreed by EC Overseas

Development Ministers meet-

ing in Brussels yesterday,

writes John Hunt, Environ-

But the outcome of the meet-

MARKET REPORT

ment Correspondent.

MINOR METALS PRICES

market, 99.5 per cent, \$ per lb, in warehouse, 7.90-8.20 (same). MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 215-240 (same).

MOLYBDENUM: European free market, drummed molyb-dic oxide, \$ per lb Mo, in ware-house, 2.90-3.00 (2.95-3.06). SELENIUM: European free

Action Plan. Environmentalists claim the plan is biased in

favour of the commercial tim-

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif. 40-50 (same).

VANADIUM: European free market, min. 96 per cent, \$ a lb

VO, cif. 3.40-3.60 (3.70-3.85).

URA NIUM: Nuexco

gallons an hour will be

Conroy, which is one of the

most active stocks trading on

London's Unlisted Securities

Market, recently overcame some doubts about its ability

to bring a mine into production

which is one of the world's

most experienced mining com-

panies and owns and operates

western Europe's largest lead-zinc mine, Tara, in Ireland. Outokumpu has also owned 20

per cent of Conroy since 1986.

Conroy to avoid having to enter a joint venture - already

offered, said Senator Conroy,

by major mining groups such as RTZ of the UK, Metalige-sellschaft of West Germany and MIM of Australia. The lat-

ter group, after being turned

down, recently bought 5 per

cent of Coprov in the market.

Senator Conroy said a number of foreign and Irish institu-tions have offered to provide finance for the mine.

to produce some cash flow

from the project as quickly as possible and then it would con-

Conroy has already found

ore-grade material in a third zone in its 90-square-mile

licence area in an agricultural

region near the main Dublin to

Cork highway and about half-way between the two cities.

High grade zinc mineralisa-tion has also been found by Ennex and Ivernia West-Chev-

ron, companies exploring areas abutting Conroy's. Senator Conroy suggests that the area

eventually could be a massive

provider of zinc, at least matching the 175,000 tonnes a

year currently coming from Outokumpu's nearby Tara.

tinue exploration.

He said his company aimed

The arrangement enables

pumped from each.

DRANIUM: Nuexco exchange value, \$ per lb, UO,

EC spending on rainforest protection could double the Earth because aid will still paigner, criticised Mrs Lynda be channelled through the international Tropical Forestry

But Mrs Chalker defended

COCOA - Lumies FOX

seas Development, for not tak-ing a tougher line at the meet-

the plan and yesterday under-lined the need for change. er interests.
In London Mr Simon Counurging that the meeting agreed

### WORLD COMMODITIES PRICES

### COCOA WAS London's most volatile commodity market yestertday. Prices bounced up after early selling but then met renewed trade liquidation and the July futures price ended the day £21 down at £943 a tonne. Designs said there was no news behind the movements, however, and trading volume was only moderate. London's July delivery cofee futures closed £7 down at 2651 a tonne after early gains had been erased following a weakers New York opening. Sugar futures were down a little in response to a forecast by F,O, Licht, the West German sugar statistics agency, of a 690,000-tonne

### London Markets

SLOI WANTED					_	
			Aug	316.80 313.80	330.80 328.00	380.00 312 327.80 306
Orada ell (per barrel FOB)		+ or -	000	315.00	328.00	319.00
Dubei	\$14.10-4.15q		Miss	298.80	810.00	310,00 297
Brent Blend	\$18.43-6.47q		May	297.80		308.00
W.T.L. (1 pm est)	\$17.70-7.72q	-0.34	Aug	297.00		307.80 298
Oil products (NWE prompt delivery per la	onne CIF)	+ or -	White	Close	Previous	High/Low
Premium Guscline	\$230-232	+1	Aug Oct	429.0 391.0	439.0 403.0	438.5 427. 402.0 388.
Gas Oil	\$148-149	-2	Dec	378.5	390.5	390.0 377.
Heavy Fuel Oil	\$63-65	-1	Mar	373.5	286.0	355.0 380.
Naphtha	\$149-151	-2	May	372.0		383.0
Petroleum Argus Estimates			Turnow	er: Raw28	64 (2804) ia	ts of 50 ton
Other		+ or -	White 7	49 (354)		
Gold (per troy oz)	\$367.5	+0.25				Aug 2446, 1
Silver (per troy oz)	517c	4	200 20	ES, MAP 2	NEL May 2	5000
Platinum (per troy az)	\$501.25 \$121.75	+1.35 +0.55	CRUDI	OFL - I	PE	
Aluminium (free mures)	\$1550			Late	st Previo	us High/La
Copper (US Producer)	124c		Jul	16.70	16.52	16.70 1
Land (U.S. Produced)	45c		Aug	17.00	16.95	17.00 1
Nickei (free market)	390c	+0.03		17.30		17.30 1
Tin (Kuala Lumpur market) Tin (New York)	299c	+1	IPE Ind	4X 1627	16.71	
Zinc (US Prime Western)	87c	т.	Turnow	ur: 8053 (4	(179)	
Cattle (live weight)†	105.95p	+0.16*	GAS O	L-PE		
Sheep (dead weight)† Pigs (live weight)†	202.75p 112.86p	-30.7° +5.76°		Latest	Previous	High/Low
London daliy sugar (raw)	\$355.0z	-1.0	Jun	148.50	146.75	148.50 146
London delly sugar (white)		-0.5	dal	148.75	147.50	148,75 148
Tate and Lyle export price	£324.0	-1.0	Aug	151.75	149.50	151.75 140
			Sap Oct	153.50 157.00	152.00 155.50	157.00 151 157.00 153
Barley (English feed) Malze (US No. 3 yellow)	£112u £144.5₩		Nov	158.25	157.50	158.75 158
Magrze (US No. a yenow) Wheet (US Dark Northern)			Dec	159.50	159.00	160.25 158
			Jan	158.50	158.50	159,00 158
Rubber (Jul) 🖤	55.76p	-0.25 -0.25	Toronto	- 4710 /7	nomiese et	100
Rubber (Aug) T	58.25p	-0.25	( COLICIO	a or in fe	BUUJIOES OF	100 tonnes
Rubber (KL RSS No 1 Jun)		76.0				
Coconut oil (Philippines)	\$350t					_
Palm Oil (Malayslen)\$	\$290w					
Copra (Philippines)5	\$280 £184.5y		- AVTI	r .		
Soyabeens (US)	\$9.25c	-0.40	June	July c an	I Dundee	BTC SMO. D
Cotton "A" Index	638o	-ytu	\$590,	BTD \$535	, BWD \$550	t c and f An
Wooltops (64s Super)			BTC	\$550,BWC	\$550, 2TD	\$520, BWD
E a tonne unless otherwise	stated. p-pe	nce/kg.				
			1			

s/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Aug ago. VLondon physical market. §CIF

production surplus in the 1989-90 season, compared with the 160,000-tonnes deficit projected in its February report. At the London bullion market the gold price ended 25 cents above the pre-holiday close after a failed attempt to raily above \$370 a troy ounce. London Metal Exchange values were generally little changed, the biggest movement being cash zinc's \$29.50-a-tonne fall to \$1,737.50 a tonne, attributed to commission house selling in

a thin market. The lead market was boosted by commission house buying and cash metal closed £7 up at £494 a tonne.

Close Previous High/Low 380.00 312.00 327.60 308.00 319.00 330.80 310.00 297.00 308.00 307.80 295.00 429.0 391.0 378.5 373.5 372.0 438.5 427.0 402.0 388.5 390.0 377.0 385.0 380.0 (FFr per tonne): Aug 2446, Oct 2246, 16.70 16.32 17.00 16.72 17.30 17.06 16.70 16.52 Aug 17.00 16.96 17.30 17.23 IPE Index 10.70 16.71 urnover: 8053 (4179)

JUTE Jump/July c and 1 Dunder BTC \$360, DWC \$590, BTD \$535, BWD \$550; c and 1 Antwerp

148.50 146.00 148.75 146.25 161.76 146.25 161.50 151.00

157.00 153.50

158,75 158,25

Unerpool- Spot and shipment sales for the week ended May 25 amounted to 550 tennes against 361 tennes in the previous week. Trading was of fairly high quantity with various countries involved in sales including larsel, west Africa and Maxico.

950 941 875 940 971 948 1010 988 1023 988 1022 1006 1047 1027 Turnover: 5863 (14664) lots of 10 townes ICCO Indicator prices (SDRs per tenne). Delly price for May 25 1175.38 (1184.51) 10 day aver-age for May 35 1142.12 (1127.25) Close Previous High/Low 644 631 664 645 675 660 688 672 698 891 712 706 727 720 684 651 686 680 694 700 720 639 658 666 678 689 706 720 terrover: 250 (1505) lots of ill tomms. ICO indicator prices (US cents per pound) for May 25: Comp. delly 75.06 (75.12), 15 day aver Close Previous High/Low 174.0 180.5 180.0 170.1 SOYABEAN MEAL - DFE Close Previous High/Low 1372 1757 1086 1195 1203 1105 1215 1213 123 Turnover 181 (141) Wheet Close 118.75 119,90 113.75 113.85 117.60 117.80 118.00 117,60 120.70 127.20 127.40 127.50 Close Previous High/Lox 112.10 112.29 116.25 116.45 118.40 124.10 112.40 116.30 118.20 119.40 : Wheat 123 (105), Sarley 46 (53). (Cash Settlement) p/log

Previous High/Low

135.0 122.0

135.5 135.0 121.5 123.5

111.0

Circon

111.0

Copper, Grade A IV per la Cash 1580-2 3 months 1694-6 1591-8 1511-5-2-5 61,265 lots Lead (2 per torme) 485-4 481.5-2 491/472 Mickel (\$ per tonne) Cash 8475-600 3 HOKBH 3476-500 Tin (5 per torme) 5,014 lois 18,981 lois 5 complete 1,8455 Security 1888 New York Call (Time on) & price Clone 367 \(\frac{1}{4}\) -387 \(\frac{1}{4}\) Opening 388\(\frac{1}{2}\) -389 Morning fix 388.35
Afternoon fix 367.70
Day's high 388\(\frac{1}{4}\) -388\(\frac{1}{4}\) -388\(\frac{1}{4}\) -387\(\frac{1}{4}\) 387.387\(\frac{1}{4}\) 2183<sub>1</sub>-2173<sub>1</sub> 217-2173<sub>2</sub> 217,572 217,150 Close Previous High/La 368.2 368.4 370.5 873.0 377.8 382.5 387.4 362.2 E againstant \$ brids 375-380 375-380 375-380 375-380 387-370 87-89 87-89 607-25-513.75 221 4-224 4 221 4-224 4 221 4-224 4 221 4-224 4 221 4-224 5 216 2-218 2 51 12-53 298.60-304.25 Maplelost Britannia US Engle Angel Krugerrand Have Soc. PLATBRUM 50 troy oz; \$/troy oz. Close Previous High/Low 500.0 506.2 512.2 518.1 504.8 511.3 517.3 528.2 SILVER 5,000 tray az, cents/tray az. 512.8 517.8 517.8 526.2 538.1 541.8 549.5 557.7 556.0 p/fine oz US cta equiv 309.25 320.95 332.50 Jul 160 Jul Sep HIGH GRADE COPPER 25,000 lbs; cents/lbs 5 22 85 80 48 28 15 33 63 Previous High/Low 115.85 115.00 112.60 108.30 107.90 106.35 105.25 101.00 110.96 117.75 116.25 111.40 110.10 108.85 107.00 108.35 118.00 115.80 0 110.30 Jul Sap Jul 85 58 40 106.35 CRUDE OIL (Light) 42,000 US galls \$/barrol 17.86 18.48 19.04 20.10 19.91 Jul Aug Jul Aug 17.80 18.52 19.05 19.95 19.94 18.58 15.15 20.10 19.91 1650

(Prices supplied by Assalgameted Metal Trading) HEATING OIL 42,000 US galls, centerUS gails \$025 8570 8586 8390 Previous High/Lew 613/4 613/4 613/2 620/4 631/0 641/0 661/0 610/4 812/4 616/4 636/0 641/0 650/0 COCOA 10 tomes; Norman SOYABEAN OIL 60,000 lbs; cents/lb COFFEE "C" 37,500lbs; cants/bit OYABEAN MEAL 100 tone: Ston 95.15 97.40 100.00 102.00 104.00 105.50 107.00 97.20 98.70 101.25 103.40 105.25 106.90 106.55 107.00 SUGAR WORLD "11" 112,000 lbs; cents/lbs Class Previous High/Lone Close Previous WHEAT 5,000 bu min; cent e High/Low COTTON 50,000; cents/fbs 335/0 341/4 354/2 360/4 354/0 330/0 337/0 348/6 355/4 348/0 Sep 34114 33770 34114 Deo 354/2 348/6 354/4 Mar 260/4 355/4 351/4 May 354/0 348/0 355/4 LPM CATTLE 40/000 for; committee 82.03 72.60 88.81 69.65 74.75 74.07 78.25 76.10 75.75 76.50 ORANGE JUICE 15,000 fbs; cents/fbs Close Previous High/Low LIVE HOGE 30,000 bt cente/be 196.00 193.00 186.25 183.50 183.50 197.40 197.50 194.45 187.25 184.46 184.10. 184.10 High/Low 67,45 61.92 53.97 53.95 51.72 HUDICES May 25 May 24 moth ago yr ago PORK BELLES 40,000 lbs; cantallb OW JONES (Base: Dec 31 1874 - 100) 65.85 83.80 65,80 60,72 80,30 67,40 60.02 59.45 67.40 Spot 138.21 135.81 135.40 Futures 134.15 133.84 133.36

127.4 49.18 (9/1/35) (3/1/75

(5/9/89) (26/6/40)

83.80 105.4 50.53 (30/4) (28/11/47) (3/1/75)

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### LONDON STOCK EXCHANGE

## Futures again lead equities higher

The state of the s after the UK Bank Holiday did nothing to discourage the opti-mists on the London stockmarket yesterday. Equities brushed off the initial effects of the overnight downturns in New York and Tokyo and the FT-SE Index rose by 30 points to bring the 2,300 mark back into focus again. However, the news after market hours of the effective of Kitcat & Aitken, the London securities invest-ment arm of the Royal Bank of Canada, may set a subdued tone for this morning's open-

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As so often in the latest bull phase, it was the FT-SE futures market which set the pace for off British beef Elf bid

hints

ering in which n cant stake, he Analyst

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Section 19 Section - 22

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- ACTUMENT

The Residence

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Chicago

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renewed

Speculation that the French off

spectiation that the French oil giant Elf Aquitaine was considering a bid for Enterprise Oil, in which it already has a 25 per cent stake, helped the shares to

Analysts and traders assumed that, unlike similar reports in the past, the stories were the result of leaks to the press. A refusal from Elf to

comment on the suggestions did nothing to counter the

speculation. ICI owns a 24.9 per cent stake in Enterprise and the market considers the trans-

fer of this stake to be a prereq-

Afthen said ICI might be test-ing the water to see what sort of political flak it might attract. If it passed on its stake to a freeign commany. "Our feeling

foreign company. Our feeling is that maybe ICI really wants out — if ICI goes to Elf rather

than the other way around, the latter will not be perceived as

the aggressor." He pointed out, however that Elf had paid

Lasmo 450p a share for the stake and that, therefore, any offer might be below the current market price.

rent market price.

Analysts at Smith New Court agreed that the minor share price rise and low trading volume yesterday reflected the fact that the press stories had only "muddled the waters." Emergrise rose 15 to 625p, the day's peak, while KI climbed 19 to 1184p.

Mr Keith Morris at Ritcat &

misite to any bid.

	· ranna	Name of Street, or other Persons and Street,
That Dealings: May 14	May 29	-
Option Declarati May 24	Jen 7	Jun 21
Last Dealinger May 25	Jun 8	Jus 22
Account Days Jun 4	Jun 18	Jul 2

the underlying stockmarket. Equities opened lower, in part reflecting downward adjustments in several leading stocks to allow for dividend pay-ments. But the FT-SE June futures contract quickly extended its premium from 23 to 30 points and, with several

equity marketmakers still

Glaxo fell quickly on the news that the advisory com-mittee of the US Food and Drug Administration had rec-

ommended a broader than expected approval of a rival to

the company's money spinning anti-ulcer drug Zantac.

Analysts were, however, keen to play down the significance of the announcement. Mr Jonathan de Pass at BZW said that athough the announcement was "a significant development and contrary to market expectations" it was

to market expectations" it was "easily blown out of proportion." He said that it was misplaced to make comparisons

with Europe, where the rival drug, Losec, made by Swedish drug company Astra, has done particularly well. Losec in the US will be marketed by Merck,

the world's biggest drug com-pany. But Merck, said Mr de Pass, could have to divide its

efforts with another ulcer treatment it already had on its

Mr Isn White at Kleinwort Benson said the late recovery in the share price reflected analysts' view that the recom-

mendation would not make a great deal of difference. He

trimmed his forecast of profits for 1991 by £15m to £1800m. He

s, could have to divide its

customers to justify the upturn and the market struggled to hold on to its early gain. It slipped below its best as the premium on the Footsie future narrowed to around 27 points, and was probably not helped by the fact that some fund managers and market traders extended the holiday weekend by an extra day.:

points by lunchtime.

short of stock, there was a

There were not nearly enough genuine institutional

However, a firm start to the new session on Wall Street, bringing a rise of 20 Dow points in London trading

FT-A All-Share Index

**Equity Shares Traded** 

Mar Apr May

added that the prospect of R&D

presentation to analysts today in London and tomorrow in New York also helped the

covery. Glaxo touched a low of 758p

1100

1050

200

hours, provided a further boost rush to buy shares. The FT-SE Index had advanced by 20 for the UK market. The final reading showed the FT-SE Index with a gain of 30 points at 2,295.6. While several leading securities houses have expressed cautious optimism over equity prospects, there was some surprise at yester-

day's sharp advance.
The day's Seaq-recorded volume, which includes both inter-marketmaker and customer retail business, totalled 330m shares, compared with 385.6m on Friday.

The latest survey of husiness opinion by the Confederation of British Industries, indicating that the Government's policy of squeezing demand is suc-

before closing at 750, a decline of only 2 on the day. Smith-Kline Beecham, which makes another anti-ulcer drug, was

also dragged lower. It ended

down 21/2 at 5180 xd.

down 2% at 518p xd.

The construction and building materials sector had both good and bad features. Leading stocks usually followed the general trend with RMC, 677p, and Redland, 588p, displaying gains running into double-figure amounts. BPB Industries, 4 better at 280p, benefited from a County NatWest recommendation but several second-line stocks registered falls. Graham Wood closed 7 down at 165p and GF Lovell ended 5 off at 213p while beleaguered house-

213p while beleaguered house-builder Fairbriar dropped to a

low of 34p, down 6.
Quality property issues also
exuded confidence, aithough
trade was moderate. Best bid

by S G Warburg for much of

excluded the Pepsi bottling franchise for France and the Pschitt brand of lemonade. He said that this year's profits from Cadhury were now more likely to be near the £290m top and of analysis' francasts

end of analysis forecasts.
International investors reportedly displayed interest

sociations treasurer and ..

ceeding, albeit slowly, helped the underlying mood of the equity market. And the technically adverse influence of lower quotations for ex-dividend stocks was balanced by strong gains in some Footsie shares.

Reports in the UK press that Elf Acquitaine, the French State-owned oil and chemicals group, is preparing a bld for Enterprise Oil, the independent UK exploration company, brought gains in Enterprise and also in ICI, which holds 25 per cent of the oil company, as does Elf. Cadbury-Schweppes advanced after paying £125m for three of Pertier's soft drink brands.

for BAT Industries, up 13 at 711p, and for British Aerospace, which advanced 16 to 539p. Cookson was another

539p. Cookson was another strong performer and closed with a rise of 13 at 210p. A buy note from County NatWest lined Sat 8 to 250.

The warning that first-half profits will fall short of last year's level saw Wickes dip to 170p before rallying to finish only 5 lower on balance at 185v the group said some of its 185p; the group said some of its businesses were performing well and the company hoped to recover the ground lost in the

the first tranche of the £2.5bn of extra funding needed - by rising 17 to 540p. Westland, the helicopter

manufacturer, unveiled interim profits above most analysts' forecasts and rose 4 to 108p. The improved performance from the group helped sentiment in major shareholder GKN whose shares, up 10 at 387p, were already reflecting hopes of benefits from the expected boom in

for Wentland. Quoted ex the dividend Glynwed attracted good demand and ended 9% higher

by S G Warburg for much of the session, Land Securities rose 13 to 499p while MEPC gained 8% to 487p nd. Greycoat, which is expected to announce figures shortly, moved up 11 to 412p.

Calley Schwapper's 112m purchase of Perrier's soft drinks business helped the shares to a 13 rise to 347p. Traders were pleased that the price paid was not higher. Mr David Lang at Henderson Crosthwaite said that the operation had been offered for sale last year at £250m, although what Cadbury had bought excluded the Pepsi bottling

FT-SE, Hourly changes Volume Closing Day's GEC's Price change

Ordinary Share

latter half. Eurotunnel shares responded to the progress in the financing negotiations -agreement has been reached on

ned to fell the adverse effects Bastern European consumer spending GKN has long been regarded as a possible suitor

The trend in insurance shares was less certain than in the rest of the equity sector, with some composites still unsettled by the recent batch of downgradings and some life companies now tripped up by similar developments. Sun Allianos (310p) continprompted by a downgrading at



FINANCIAL TIMES STOCK INDICES

May 22

79.23

May May 24 23

78.56

1800.0 1805.2 1810.0 1829.5 1765.3

78.16 78.25 78.38

Besed on trading volume for most Alpha securities dealt through the STAQ system yesterday until 4 70ps

of the switch out of the shares and into Sedgwick advised by Kleinwort Benson; at 254p, Sedgwick added a penny, There was support for Comto 471p, and General Accident (1073p) and Guardian Royal Exchange (231p) were also

Bank shares joined in the general upturn in equities, stri-king a firmer tone after the less confident trend of the past few weeks which had been reflected in profits downgradings for several major names by leading securities houses. Midland (284p) extended by several pence the rally com-menced on Friday as the share prices steadled from the fall investment bank, remains cau-tious short term in its latest review of the UK banks, predicting an 8 per cent dip in the sector's interim profits before problem country debt provi-sions, with all four of the

Goldman Sachs, the US

sions, with all four of the majors recording interim declines. Goldman is particularly wary of Midland and Standard Chartered, the latter firmer at 460p yesterday.

Goldman points out that mortgage lending by the banks has so far proved to be high quality business, as yet generating few provisions. Among the banking leaders, mortgages represent between 15 per cent represent between 15 per cent and 22 per cent of domestic customer lending. A profits warning from Log-

ics left the shares 80 lower at 219p, while the ending of man-agement buy-out talks at Tunagement buy-out talks at Tun-stall took 50 off its shares to

Trading news gave a boost to USM-listed Rolfe & Nolan Computer Services which announced increased annual profits, a scrip issue and the imention to seek shareholders approval for a buy-in programme of its own shares. They ended 12 better at 250p. French bid hopes lifted Select Appointments 10 to 889. BPP jumped 13 to 218p as Schroder Securities issued a buy recom-

Other Market statistics, including the FT-Actuaries share index, Page 26

## SERV HIGHS (11) BANKS (1) BERLEMONS (1) BTOKES (2) BLECTRICALS (2) BROOMSHIME (2) POUR (4) BROUNTHALS (17) ASD, Alongero, Binac Indo., Bouster BAN, Horldoth Tach., Pletforms, Pottmorifon Potteries, Proudbot (A), Rolls 6 Molar, Tombins, Trakes, LEDUNG (1) TRUSTS (3) OVERSEAS TRADESS (2), BEW LOWS (10). AMERICANS (1) CANADUMS (6) BANKS (1) Shiemerin (II) SHIEMERIN (II) CHEMICALI (1) STORES (1) SLECTHICALS (4) POODS (3) SHUBSTRALS (10) Angle Uda, Apolia Shiemerin (II) Angle Uda, Apolia Shiemerin (III) (III) (III) (III) Shiemerin (III) (III) (III) (III) Shiemerin (III) (III) (III) (III) (3) MEMBARES (1) PAPERS (4) PROPERT (2) CHEMICE (2) THURS (3) OLD (III) (2) CHEMICE (2) THURS (3) OLD (III) CHEMICE (2) THURS (3) OLD (III) CHEMICE (2) THURS (3) OLD (III) CHEMICE (3) THURS (3) OLD (III)

APPOINTMENTS

NEW HIGHS AND LOWS FOR 1990

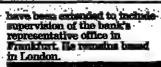
### New chairman for Russell **Hobbs Tower**

Poly Peck International's business support group, will business support group, will become chairman and chief TOWER on June 1. He will remain a director of the

CHARTERED WEST LB has appointed Mr Paul Luke, formerly assistant general manager of Libra Bank, as an assistant director. Mr Luke

m ROYAL SCOTTISH ASSURANCE, the new joint company formed by the Royal Bank of Scotland Group and Scottish Equitable has established an area manage structure with the support of Mr Mark Secker (London), Mr Brian Blake (Manchester), Mr Brian Reilly (Edinburgh) and Mr Neil Pattie (Glasgow).

At GULF INTERNATIONAL BANK Mr Peter J. Szalay has been promoted to senior vice president, Europe/Africa area. His marketing responsibilities in Central and Eastern Europe





BUILDING SOCIETY has appointed Mr Christopher James (pictured) as its chairman in succession to Mr Derrick Hanson on his retirement from the board. Mr James has been the Society's leputy chairman for the last

two years. Mr Richard de Zouche has heen appointed deputy chairman of the Society. He is the senior partner of Wilson de Zouche & Mackenzie in

Mr John Perkins has been

appetuted managing director of INDEPENDENT RADIO NEWS. He takes over from Mr Peter Thornton who has stepped down to give more time to London Broadcasting,

> Mr John Houre is joining the board of FENCHURCH insurance brokers. Me Ray Barker is promoted to Services and Mr Chris Clark of FENCHURCH LONDON.

Mr Takashi Muraksu

managing director of Nikko Capital Management (UK), has been appointed to the board of its parent, NIKKO INTERNATIONAL CAPITAL MANAGEMENT, in Tokyo.

been named managing director of AMPEX GREAT BRITAIN following Mr Terry Redford's promotion to vice president Europe Africa Middle East.

m Major General Stephen R.A. Stophen has been appointed a director of Huddersfield-based DAVID HEOWN VEHICLE
TRANSMISSIONS.

W Mr Michael Tuener-Source has been appointed group treasurer of UNIGATE. He was



Mr John Edwards (pictured) WATERGLADE INTERNATIONAL HOLDINGS on June 1. He was previously group finance director at Bejam Group.

Bothsaley, Mr Michael Bothsaley, Mr Andrew Variey and Mr John Wallis have been appointed directors from June 1. Mr Bottomley is managing director of Grattan Home Shopping, Mr Wallis managing director of Next's direct response division and Mr

### LONDON SHARE SERVICE

BRITISH FUNDS	BRITISH FUNDS—Contd	AMERICANS - Contd
High Low Stock S - 3st.   Sect.	Note: Land Stack   Price   + w   Note   And   An	1990
**Shorts** (Lives up to Five Years)  **Pil! 977_ Irrest Stapt 1997-908.  **Pil. 973_ Irrest Stapt 1997-908.  **Pil. 974_ Irrest Stapt 1990.  **Pil. 974_ Irrest Stapt 1991.  **Pil. 974_ Irrest Stapt 1992.  **Pil. 974_ Irrest Stapt 1994.  **Pil. 1994_ Irrest Stapt 1993.  **Pil. 974_ Irrest Stapt 1994.  **Pil. 1994_ Irrest Stapt	115g 1104 7, 25c 92cc 78.	224   23   Contri Bant Carp 24   279   -04   31   00   6   200   1250   Carponie Data Sosta.   21   31   31   31   30   31   31   31   3
Five to Fifteen Years   12.17   12.38   76.5   76	100% 84 2 birks 0+ th 11 1 is 2010 9628 805 siste by 88 11 1 is 2010 1014 85 2 kins by 88 11 1 is 12 2010 1014 85 2 kins by 88 11 2 is 2003 1104 94 2 kins by 88 112 is 2003 1104 94 2 kins by 88 112 is 2003 1104 97 2 kins by 88 112 is 2003 1104 105 105 9 9 2 kins by 88 112 is 2003 1104 105 105 105 9 9 2 kins by 88 112 is 2003 1106 105 105 105 105 105 105 105 105 105 105	25   10   10   10   10   10   10   10   1
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## Higher return on your investment

### Invest-Loan Jyske Bank's Invest-Loan allows you to invest up to

four times your own deposit, which could increase the return on your capital. You borrow in a lowinterest currency and invest the total amount in . high-interest currencies. Despite exchange-rate fluctuations at the

end of 1989, the Invest-Loan produced a better return than alternative currency investment opportunities. But the return on your investment does depend on swings in the world's foreignexchange markets.

You should not be financially dependent on the yields of the Invest-Loan, as you might, at worse, suffer a loss. The Invest-Loan is a long-term investment.



Fixed-Term Accounts. You cam choose between 14 different types of fixedterm account in various

currencies. You will enjoy the following: no tax liability in Denmark low charges

 favourable exchange rates professional service Jyske Bank is one of Denmark's lar-

gest banks with customers all over the

Over Fifteen Years

FOREIGN BONDS & RAILS **AMERICANS** 

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### **AUTHORISED UNIT TRUSTS**

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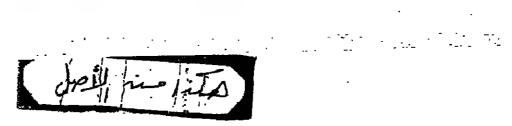
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& WEDNESDAY MAY,

## D-Mark improves as yen falls

THE D-MARK gained ground in quiet foreign exchange trad-ing yesterday. Traders in Tokyo started the move by taking profits in the yen, after the Japanese currency's recent recovery against the D-Mark This was largely an operation to window dress balance sheets as the end of the month approaches, but also reflected speculation in the Far East that West German interest

rates could be forced higher. Factors pushing the D-Mark up were, therefore, rather tenu-ous, with dealers in Frankfurt suggesting it is unlikely that the Bundesbank will increase official interest rates at present. The German authorities have allowed money market rates to ease in Frankfurt, partly by not seeking repayment of extra liquidity lent to banks last week. This does not seem to be the action of a central bank contemplating an

immediate rise in rates.

Another factor which may hint that an increase in German rates is unlikely was yesterday's cut in the Belgian National Bank's money market intervention rates. The Belgian central bank has indicated its wish to tie the Belgian franc more closely to the D-Mark, and will almost certainly be forced to reverse yesterday's move if German rates rise.

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CURRENCY RATES

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Sterling	May 29	Bank of England index	Morgania Georges %
	U.S Dollar Cheadlan Bollar Asstram Schilling Belgian Franc Denish Krose Denish Krose Denish Krose Franc Golider Franc Ling Ling Ling Ling Ling Ling Ling Ling	85.9 67.2 102.9 107.5 111.3 114.7 114.7 114.4 103.2 101.1	-22.6 -10.8 -0.2 +11.4 -2.3 +4.8 +22.3 +16.0 -11.5 +23.6

CURRENCY MOVEMENTS

CTUED CURRENCIES

Nay 29	2	\$
Argentina	8834.85 - 8839.20	
Australia Brazil	2.2080 - 2.2100 86.7405 - 86.7895	1.3040 - 1.3050   51.2500 - 51.7500
Finished	6.6385 - 6.6515	3 9220 - 3 9250
Greece	275.60 - 280.10	162.55 - 165.25
Hong Kong	13.1675 - 13.1810	7.7800-7.7820
ban	118.204	69.25
Korea(Sth)	1196.45 - 1215.75	709,20 - 714.80
Kesezit Luxembourt	0.4920 - 0.4940 58,25 - 58,35	0.2905 - 0.2910 34.35 - 34.45
Mataysia	4.5660 - 4.5780	26995 - 2.7015
Mexico	4791.45 - 4795.15	2831.00 - 2832.00
N. Zesland	2.9430 - 2.9475	17385 - 17405
Sandi Ar	6.3485 - 6.3545	3.7500 - 3.7510
Singapore	3.1225 - 3.1300 4.4875 - 4.4990	1.8470 - 1.8490 2.6520 - 2.6535
S. Af (Fe)	6.4865 - 6.6145	3.8310 - 3.9065
Toiseau	46.55-46.65	27.50-27.55
UAE		3,6715 - 3,6735

**MONEY MARKETS** 

A WEAKENING of sterling against the D-Mark and stron-

ger than expected UK first quarter GDP growth pushed interest rates up slightly in

London yesterday. Three-month sterling interbank rose to 15%-15½ per cent from 15½-15½, while 12-month money was quoted at 15½-14½ per cent against 15½-14½

against 154, 144.
Short sterling futures traded quietly on Liffe. The Septem-

ber contract opened easier at 85.29 and closed at 85.31

UK clearing bank base lending rate

15 per cent from October S

Day-to-day credit was in fairly short supply on the money market. The Bank of England

initially forecast a shortage of £750m, but revised this to £700m at noon and to £800m in

the afternoon. Total help of

Before lunch the authorities

bought £107m bills outright, by way of £63m bank bills in band

1 at 14% per cent and £44m bank bills in band 2 at 14% per

cent. In the afternoon another

£286m bills were purchased

outright, via £24m bank bills in

band 1 at 14% per cent and £262m bank bills in band 2 at

14% per cent. Late assistance

of around £245m was also

provided.

£638m was provided.

against at 85.30 previously.

Slightly firmer tone

### This encouraged speculation that the D-Mark's improvement is likely to be short-lived, as worries about the implica-tions of German monetary union continued to weigh

against the currency. The D-Mark remained relatively weak within the European Monetary System yester-day. It rose against the firm Italian lira to L735.53 from L734.60 at the Milan fixing, but eased back to close at L734.75

The French franc gave a similar performance. It rose to L218.21 from its EMS floor of L218.13 at the Milan fixing, but finished at L218.10 in London. There was no sign of interven-tion by the Italian or French central banks.

The dollar traded in a narrow range, lacking fresh economic factors. It fell briefly below DM1.6700, but rebounded to close in London at DM1.6720 compared with DM1.6820 on

Friday and against DM1.6790 in Frankfurt on Monday. The dol-lar also fell to FFr5.6325 from FFr5.6650 and to SFr1.4095 from SFr1.4250, but rose to Y150.90 from Y149.70. According to the Bank of England the dollar's index was unchanged at 67.2.

Sterling showed mixed changes, as the impact of speculation about full British mem-bership of the EMS tended to fade. UK Gross Domestic Prod-uct grew 0.4 per cent in the first quarter, down from revised 0.6 per cent growth in the fourth quarter of last year, but was still stronger than the figure expected by the market. The news had little impact on the pound. Sterling gained 1/2 cent to \$1.6950 and improved to Y255.75 from Y253.00, but fell to DM2.8350 from DM2.8425; to FFr9.5475 from FFr9.5750; and to SFr2.3900 from SFr2.4075. On Bank of England figures the pound's index shed 0.2 to 88.9.

EURO-CURRENCY INTEREST HATES								
May 29	Short term	7 Days police	Goe Month	Torse Mostlis	S1X Montes	One Year		
Sterfling US Dolhar Can Dollar D. Galkler Su. Franc Deutschmark Fr Franc Radian Lira Belgian Franc Yen Adian SSing	84-74-74-74-74-74-74-74-74-74-74-74-74-74	15.2 17.2 11.2 12.2 12.2 12.2 12.2 12.2 12	25-15-15-15-15-15-15-15-15-15-15-15-15-15	15-15 84-84 13-13-13-1 84-84 84-84 9-94 12-11-1 10-73 10-73 10-103 84-84	15 - 15 - 15 - 15 - 15 - 15 - 15 - 15 -	1514]] 81-85 13-13- 81-85 81-85 81-85 103-103 125-125 105-103 81-85		
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Шау.29	Oay's spread	Close	One month	P.B.	Three months	70 p.a.
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Commercial o 9.17-9.07cpm	ates talour temarés t I	e cal of London tra	ding. Six-counts h	rapi de	Nar 5.19-5.14cpm	12 month

May 29	Day's spread	Close	One month	94	Three expedits	9.3
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Yau per 1,000: French Fr. per 10: Liza per 1,000: Belgian Fr. per 100.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,380m.

This outweighed Exchequer transactions adding £110m to liquidity, a fall in the note circulation of £450m, and bank

balances above target of £70m.
In Brussels the Belgian

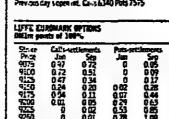
National Bank cut the rate on

three-month Treasury certificates - the main instrument of monetary policy - by 0.10 per cent to 9.85 per cent. Similar cuts were made

in the one-month rate to 9.75 per cent; the two-month rate to 9.80 per cent; and the

four-month rate to 9.85 per

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### FT LONDON INTERBANK FIXING O.L.OO a.m. May 290 3 poorths US dollars

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he fixing rates are the ariti noted to the marint by fiv lank, Bank of Tokyo, Desi	unelic means rounded to the perference basis at 11.00 a. ische Basic, Banque National	nearest one-statements, of the b at, each working day. The bar i de Paris and Morgan Gears	id and offered rates for \$10m riss are Hatlonal Westminster only Trust.

	N.	IONE	FAT	E5		
HEW YORK	-		(result)	Bills and	Bonds	
(4pm) Prime rate Broker loan rate Fed Josés Fed Josés	10 91,	Dire storifi Two month Direc worth Dire year Two year		7.40 Three 7.61 Four 8.00 Five; 8.17 Sees 8.22 10-pt 8.52 30-pt	8.63 8.58 8.68	
May.29	Overnight.	Case Month	Two	Three Months	Stx Months	Lombard latervestion
Frankfurt. Parks Zarich Ameterdam Tokyo Milian	770-7.80 92-103 84-84 7.75-7.88 73-74 113-114	8.05-8.15 98-913 84-85 8.00-8.10 73-75 12-12-1	8.10-8.20	820-830 93-93 83-83 816-826 72-71 12-125	8.50-8.60	8.00 9.50

cent.	_
In Frankfurt call mon	ey fell
to 7.75 from 7.875 per c	ent as
banks were well supplie	d with
liquidity, and expected t	
no problems meeting	g the
Bundesbank's re	serve
requirement for Ma	y of
DM59.1bn The average f	or the
first 27 days of the mont	h was

DM59.2bn. The market will not receive liquidity from a securities repurchase agreement tender this week and credit conditions are expected to tighten today as payments of pensions drain about DM8bn from the market. On the other hand, there is no expiring repurchase pact to refinance this week and money from the pension payments should flow back into the

pm) ine rate oker loan rate d. fauds d. fauds at Intervention	. 10	ite stantil wo mostil irre worth ix worth ine year wo year		7.61 Four: 8.00 Five: 8.17 Seven 8.22 10-pe	763	8.63 8.58 8.68
May 29	Overnigis.	One Month	Peps Montiles	Three Months	Six Months	Lombard latervestion
rofert	770-7.80 92-102 81-85 7.75-7.88 72-74 113-114 10.75 104-104	8.05-8.15 93-93 84-83 8.00-8.10 72-73 12-12-1 93-30 103-11-1	114-114	820-830 91-91 81-81 816-826 72-72 12-12 97-10 114-114	113-112	8.00 9.50
	LOND	ON M	ONEY	RATI	S	
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LUNDON MONEY RATES								
May 29	Overnight	7 days notice	One Month	Three Months	Six Months	Que Year		
Interbank Offer	164	15.4 14% 14%	1915 : 2015 : 19	5-4-5-4 - 5-7-4-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	15145 - 155 - 1448 9 3 10 10 10 10 10 10 10 10 10 10 10 10 10	15:144 144 144 15:4 15:4 10:2 10:2		

Treasury Bills (self); one-month 14% per cent: three months 14% per cent: Bank Bills (self); one-month 14% per cent; three months 14% per cent; Treasury Bills, Average trader rate of discount 14 4592 p.c. ECED Fixed Rate Sterling Export Filance. Make up day April 20, 1990. Agreed rates for period May 26 to June 25, 1990, Scheme 1: 15,94 p.c. Schemes 16 & III; 16,49 p.c. Reference rate for period March 31,1990 to April 30, 1990, Scheme IV.EV: 15,247 p.c. Local Authority and Finance Houses seven days notice, others seven days forced. Finance Houses Base Rate 15½ from May 1, 1990; Bank Descoit Rates for smrs at seven days notice 4 per cent. Certificates of Tax Deposit Series 6): Deposit \$1,200,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; under even months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

### FINANCIAL FUTURES AND OPTIONS

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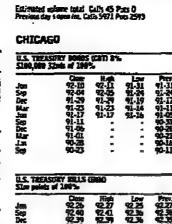
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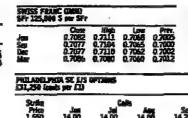
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March Extraorded uniques 5,079 Total Open Interest, 23,163 CAC-49 FETTERES GLATEFT Stack (min.

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& COOPER	15	Operes Popular Bk	15	Northern Sank List
Test Back	15	Denhar Rask PLC	15	Hykredit Mortgage Stank
frish Bank	15	Doncas Laurie	15	Processal Bask PLC
Asstacter	15	Expatorial Back pic	15	Recharghe & range
iates (ap Corp	154		15%	Royal Bit of Scotland
Merchant Bank	E.	Fisancial & Geo. Bank	3.	Reyal Trest Bask
of Baroda	15	First Matiosal Bank Plc.	164	Smith & Williams Secs.
Bilbao Vizzana	ĭ	@ Refert Fleming & Co.	15"	Standard Chartered
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k of Mid East	15	C. Hoare & Co	15	Yorkshire Bank
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Bank o CL Bank Hed American de Contra Mechania Banking & Securities Houses Association. Deposit now 5.9% Samurica 8.5%. Log Tim-450,0004 Instant acres 13.7% & Muricagae have rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%. Comm. Bit. H. East.

### SPONSORED SECURITIES

		_	_			-	
O TO	LOW .	Company	Price	Change	qµ (d)	%	P/E
343	295	Acc. Brit. Ind. Ordinary	295	-1	10.3	3.5	8.0
38	19	Armitage and Rhodes	25	0			-
210	135	Bardon Group (SE)	145mi	0	4.3	3.0	14.1
125	96	Bardon Group Cr Pref (SD	9622	0	6.7	7.0	
123	74	Bray Technologies	79	6	5.9	7.5	7.0
<b>Z10</b>	82	Brembill Conv. Pref	82	0	11.0	13.4	
315	285	CCL Group Ordinary	308ml	42	18.7	6.1	2.4
		CCL Group 11% Conv. Pref	163	0	14.7	9.0	
	140	Carbo Pic (SE)	210zd	0	7.6	3.6	12.4
110		Carbo 7.5% Pref (SE)	110	0	20.3	5.4	
7.5	0.125	"Magnet Gp Ron-VotingA Cov	0.125	e e	-	-	
5	0.125	*Magnet Gp Non-VotingB Cov		0	-		
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145		Jackson Group (SE)		-5	3.6	33	12.6
340	243	Multifloese NV (AnatSE)	340	6			-
158	98	Robert Jenkins	2,35	ō	10.0	7.4	4.9
467	348	Scruttoes	348	Ō	20,0	5.7	9.6
165	106	Unistrat Europe Conv Pref	165	0	9.3	5.6	
-	245	Veterinary Drug Co. PLC	245	o.	<b>72.0</b>	9.0	6.6
313		W.S Yeates	372	41	16.2		31.0

77 Mansell Street, London El SAF Telephone 071-488 1212 Member of TSA G

Telephone 071-488 1212 Member of The ISE & TSA

Granville Davies Limited

77 Mansell Street, London El 8AF



Tel: 071-828 7233 AFBD member

Мау. 2298/2308 +44 June. 2831/2843 +14 Jun. 2316/2326 -44 Sept. 2871/2883 +14 5om Prices. Change from previous 9pm close

### MORGAN GRENFELL MGFO - the new force

in futures and options for institutional investors.

Contact Chris Graham on 071-826 7557 at Morgan Grenfell Furures & Options Limited. 23 Great Winchester St., London EC2P 2AX

**FUTURES** &OPTIONS

### SUNBELT HOLDINGS S.A. Registered Office: 7, Rue Pierre d'Aspelt 1142 Luxembourg R.C. B. 18113 ADDITIONAL INFORMATION TO THE

NOTICE TO THE SHAREHOLDERS published in the newspaper of 29.05.1990. The Annual General Meeting of the Company, the agenda of which was published on the 29.05.1990, will be followed by an EXTRAORDINARY GENERAL MEETING of Shareholders to consider the following

1. To authorize the Board of Directors to proceed 24 they think necessary or appropriate in order to sell or liquidate Libatrex B.V. and Webberly N.V.,

subsidiaries of the Company,
To authorize the Board of Directors to do all things
necessary or appropriate to secure additional capital

from investors, To convert the existing share capital, being 173, 500 shares of USD 21.39 per share into 173,500 shares of

shares of USD 21.39 per share into 173,500 shares of no par value,
To reduce the capital of the Company from USD 3,711,115.- to USD 250,000.-to reflect the write down of the value of the investments of the Company's subsidiaries in the real estate market and to compensate for the consequent losses.

To confirm the inclusion in Article 6 of the Company's statutes to provide for an Authorised Capital of USD 40,000,000.-,
To amend Article 5 of the Company's statutes in order to provide that share certificates will be issued in bearer or registered form at the discretion of the

in bearer or registered form at the discretion of the The Board of Directors.

### GOLD & PRECIOUS METALS

The Financial Times proposes to publish this survey on:

### 21st June 1990

For a full editorial synopsis and advertisement details, please contact:

### James Pascali on 871-873 4008

or write to him at:

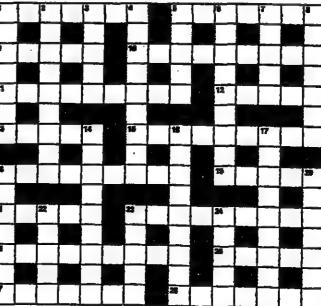
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**FINANCIAL TIMES** 

**JOTTER PAD** 

### CROSSWORD

No.7,250 Set by DINMUTZ



ACROSS
1 Faithful friend Bill detests (7) 5 Half fare from Dublin, going

by air (7)
9 Excursions in Loire town (5)
10 Meson, tempenny article

(1-8) 11 incorrectly portrayed as hunting type (9)
12 Times to play (5)
13 You once led a way, as worker in brewery (5) 15 Catch Nell out in such a col-

lege (9)
18 Room for improvement in teams moving to left, for example (9)

19 Check with rook? (5)

21 It knocks down lots of peo-

ple (5) 23 Unit for office or kitchen? (9) 25 Take out talking-bird stuck

in cream (9) 26 Line of bushes forming hos-

pital boundary (5) 27 Can be as great as a lacrimator (4,3 )
28 Watchful old boy leaves 2

down, for example (7)

DOWN

1 Motor agent upset in examination of body (7)

2 28 given to prepatellar bursi-

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4 Tall man wanted for cricket,

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7 Deputy doc? (5)
8 Particular policeman? (7)
14 Teary often seen on a horse

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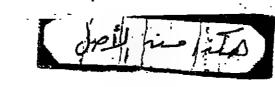
18 For example, chaps in street – part cut off (7)

20 Anguish of chaps in the

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22 Virginia holds informal resource, there in France (5)
23 Works and amuses oneself

(5) 24 Number three, it turns out





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## Dow soars to new record high on technology

SOME bargain hunting after last Friday's sharp drop turned into more sustained buying, led by a rebound in technology issues, particularly IBM, and sent the Dow Jones Industrial Average soaring to another record high, writes Janet Bush in New York.

The Dow Jones Industrial

Average closed 49.57 points higher at 2.870.49 but volume was low at 137m shares. The Dow had slumped 34.63 points to close at 2.820.92 on Friday, before the three-day Memorial

ay weekend. The Standard and Poor's 500 Index closed 6.07 points higher at 360.64, significantly also a record high.

The buying was not limited to blue chips which have been outperforming other broader indices lately. The Nasdaq Composite of over-the-counter

Composite of over-the-counter stocks profited from a recovery in technology and computer issues and was quoted 3.82 points higher at 487.51.

Technology issues, which rallied throughout most of last week only to faiter as the week drew to a close, have been a leading indicator of the general leading indicator of the general trend of the market. While technology issues were still in demand, the broad market appears to have had consider-able resilience.

Yesterday's strong performance was led by IBM which was the subject of a highly positive front page story in the weekly business magazine Barron's which said that the common's way he for said the different way her her said the s pany may be free of the diffi-culties which have weighed on its share price in recent years.

IBM jumped \$3% to \$119%, Compaq Computer rose\$2 to \$120% and Digital Equipment gained \$2% to \$94%. On the OTC market, Sun Microsystems was up \$% to \$30% and Apple Computer added \$1 to \$41. Adobe Systems, whose disappointing profits forecast caused the crack in technology issues last week, jumped back

\$2% to \$37%.
Outside the technology sector, the broad market was also encouraged by a firmer bond

### **ASIA PACIFIC**

## Nikkei's rise checked by fall of yen and profit-taking

### THE MARKET'S extended rise was checked yesterday as the yen fell and profit-taking hit a wide range of issues which had shown good rises recently, writes Michigo Nakamoto in

Tokyo. After Monday's rise, which The Treasury's benchmark long bond was quoted % point higher in late dealings to yield 8.63 per cent while the US cur-rency climbed above the key Y150 level to Y151.25 in late took the Nikkei average over 33,000, caution set in and prompted selling from the start of trading. The Nikkei dipped below 33,000 by the morning close and fell to a low of 32,776.60 during the day before business.
Financial markets are this aweek expected to trade fairly cautiously in advance of Friday's May employment release.
The rally in the bond market in recent weeks and the climb to record high levels by the Dow Jones Industrial Average was triggered by April's weak closing down 373.94 at 32,817.67, against a high of

33,203.75. Declines led advances by 650 to 327 with 154 unchanged, and turnover rose from 750m to 800m shares. The Topix index of all listed stocks fell 22.39 to 2,411.66 and, in London, the ISE/Nikkei 50 index closed down 4.89 at 1,801.91. It was expected that inves-

tors would take profits as soon as the market posted a substantial gain, in order to cover some of the big losses incurred during the market's collapse earlier this year. Yesterday's profit-taking coincided with a fall in the year whose recent fall in the yen, whose recent rise had underpinned the market's strength; its fall prompted a downturn in bond prices, which added to the wary mood on the equity mar-ket. On the whole, however,

analysis expect the yen to remain fairly firm. Interest rates, they said, are unlikely to fall soon, but expected at least to stabilise at current levels. Equities, meanwhile, accord-ing to one analyst at a foreign firm are likely to finetuate for firm, are likely to fluctuate for some time in the 33,000 to 34,000 range, as that is the range that constitutes a break-even point for many portfolios. Buying is likely to be wide-ranging but selective, as investors look for companies

Profit-taking undermined heavy industrials, which had gained recently on strong earngamen recently on strong entrings. Mitsul Engineering and Shipbulking, second in volume with 35.1m shares, lost Y30 to Y1,020. NKK followed on the volumes list with 29.8m shares and fell Y22 to Y691.

and fell Y22 to Y691.

Interest centred on Sanyo Electric, which topped the actives list with 39.7m shares. The company has been favoured for its development of solar batteries, which investors expect to be a promising product in the light of rising concern over exhaust gases. News that General Motors has developed an electric car, for example, has prompted speculation pie, has prompted speculation that demand for clean energy sources, such as solar batsources, such as solar bat-teries, will be strong in future. Huge buy orders for Samyo made it necessary for the stock exchange to suspend trading in the issue during the day when it rose Y4 to Y1,000. Profit-tak-

The construction sector, which has attracted attention on reports of strong earnings, was mixed. Shimizu, saw doubled pre-tax profits, advanced Y50 to Y2,090 but Ohbayashi came under selling pressure and closed with a loss of Y30 at

In Osaka, buying of special situations helped contain losses from profit-taking, and the OSE average fell only 10.97 to 35,167.10. Volume slipped to 73.5m shares from \$8.6m traded on Modern on Monday.

Roundup

A one-day holiday served to turn Taiwan and Hong Kong on their axes yesterday, although the former tried to continue its decline, and the latter was almost rescued by bargain hunters.

TAIWAN's weighted index registered a gain of 399.31 or 6.33 per cent to 6,703.06. Vol-

ume rose to 1.32hn shares and NT\$79.6bn from Saturday's would have to share prunts on a large housing development with Shell Hong Kong, the ven-der of the land. Cheung Kong fell 30 cents to HK\$12.00, but Hutchison ended steady at HK\$10.80 after an intraday loss After a drop of 172 per cent in the week to last Friday, the market tried to fall further yes-

teriday. The intraday low was 6,176.27, down 127.48, after about 600 demonstrators clashed with police yesteriday outside the legislative Yuan, when the vote was to be taken on Defence Minister Han Peiof 20 cents.

MANILA extended Monday's sharp decline in a late sales after a thin day's trading. The composite index dropped 20.51, or 2.3 per cent to a new 15-month low of 860.72. Turnover tsun's appointment as premier. collapsed to 301m shares worth However, big investors then seemed to take the view that the market was oversold. collapsed to 301m shares worth 56m pesos, from 875m and 189m pesos the day before.
Elsewhere, SEOUL rose moderately in thin volume, the composite index rising 5.64 to 783.87. AUSTRALIA edged higher on Tuesday for a third consecutive session, the All Ordinaries index closing 9.8 better at 1.495.0 as turnover HONG KONG's bargain hunters came in after a sharp early bout of profit-taking. After a six-day rally in which it gained 142 points, the Hang Seng index ended 10.95 lower at 3,048.55. Turnover, though the lowest in a week, was moderately active at HK\$1.17bi; down from Friday's HK\$1.6bn. The initial selling was encouraged by reports that Cheung Kong and Hutchison Whampos.

better at 1,495.0 as turnover rose from 64m shares and A\$12im to 77m and A\$176m. NEW ZEALAND's Barclays

## Revelry in Zurich outshines the Frankfurt recovery

### than usual. Today sees the release of US leading indicators for April which are expected to have AN EXTENSION of the technical recovery in Frankfallen by around 0.2 per cent after rising 0.9 per cent in March and dropping 1 per cent furt yesterday was outshone by Zurich, which reveiled in an inflow of foreign investment, writes Our Markets Staff. FRANKFURT extended Mon-

TORONTO stocks staged a late session rally, boosted by strong gains in transportation and midsession rise of 11.33 to 783.99 in the FAZ index, the DAX closed 13.78 higher at The composite index gained 25.52 to 3.524.20 on volume of 19.1m. Advancers led declines

was triggered by April's weak release which suggested that the US Federal Reserve may

move to loosen monetary pol-

It is for this reeson that Fri-day's employment report has assumed even more impor-

tance for the financial markets

in February.

Transportation stocks rose 2.08 per cent while mining issues gained 1.79 per cent. Industrial and consumer product issues, energy stocks and banking issues also posted gains while gold issues were flat.

### SOUTH AFRICA

R101.50 on news that a conso-

Yesterday's big movers were in construction, where Philipp Holzmann rose DM90 to DM1,580 and Hochtief DM45 to DM277. and MAN DM11.50 to DM479.50. MAN rose as analysts mused that the Cartel Office's planned block on the takeover, jointly with Daimler, of 80 per cent of Enasa in Spain could be positive for the bidders' shares. Daimler rose day's late gains in slightly more positive style, although its enthusiasm seemed to diminish in afternoon. After a

1,842.74, following an intraday high of 1,852.91. Volume rose from DM3.6bm to DM6.3bn, and the big buy order for Volkswagen noted on Monday left it at the top of yesterday's most active stocks list, in turnover of DML02bn compared with DM581m for Siemens, which came second. VW, another DM5.50 better at DM604.50, is beginning to threaten its 1990 high of DM619.50; Siemens, just DM1.80 better at DM721.80, is much nearer its low of DM703.50 after

DE BEERS rose R2.16 to a revision of analysts' forecasts for the current year. However, much of the infitrium's scheme to separate the trium's scheme to separate the offshore arm had been moment is seen as technical, a matter of small buy or sell were quietly firmer. The overall index rose 28 to 3,183.

DM1,360; and in engineering, where KHD put on DM7 to DM277, and MAN DM11.50 to

DM11 to DM894.
PARIS saw Elf and its sub-sidiary, Elf Gabon, make a brisk recovery on news that oil production in the African state would resume after recent unrest there. Elf was also in the limelight on renewed talk ofr Enterprise Oil of the UK, of which it already owns 24.5 per cent. Elf closed FF74 higher at FFr700 on heavy trade of 285,400 shares while Elf Gabon

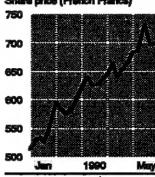
rose FFFr59 to FFr1,230.
The CAC 40 index closed 8.7
better at 2,123.09, near the
day's high of 2,125.45, but trading was light. Some brokers were getting nervous about the French market since many stocks were due to go ex-dividend over the next few weeks. From a technical point of view,

the CAC 40 index was looking vulnerable as the gap between the five-day and 20-day average in the five day and 20-day average in the five day and 20-day average in the cac index was looking peam investment Bank.

MILAN resumed its upward intend, after a pause for breath

However, there was selective interest in laggards. Saint-Go-bain, which was sold heavily at the end of April after the mar-

### **ELF Aquitaine** Share price (French Francs)



ket decided it had paid too much for Norton, the US abra-sives manufacturer, rose FF12 to FFr590.

Eurotunnel was the most sought-after issue, gaining street issue, gaming ffriz to FF158 with over 500,900 shares changing hands on news that the company would get fresh capital from the Euro-

on Monday, on expectations that the mutual fund data due out at the beginning of June would show a positive cash flow. The Comit index added 259 to 739.18. But some analysts were worried that the market was becoming too.

lysts were worried that the market was becoming too frothy and noted that foreign buying had dwindled.

The smaller banks continued to make strides, supported by the successful launch in London of a closed-end fund for these stocks, lead managed by Hoare Govett, co-managed by Swiss Bank Corp and Klein-Swiss Bank Corp and Klein-wort Benson and administered through Milan brokers Akros.

The insurers helped lead the market higher, with Generali rising 1280 to 143,240 and For-

diaria gaining L100 to L63,000. But the paper manufacturer, Burgo, lost L88 to L5,782 as speculative buyers made an exodus after news that the Flat investment company, Gemina, had acquired a controlling interest. Montedison added L10 to L2,012 and reached L2,065 after hours on hopes of an early settlement over conirol

ZURICH played host to the

foreign investors who have been absent from Frankfurt. A rally which began with blue chips extended to second-tier stocks by the close, when the Credit Suisse index was 8.4 higher at 649.4. Foods, chemicals, banks and insurance shares all did well

insurance shares all did well, the latter two sectors on the view that Swiss interest rates had peaked individual situa-tions included Brown Boveri bearers, up Sfr150 to Sfr6,075 after Asea Brown Boveri, its international joint venture with Asea, put out a good profits performance for 1989, and a forecast for 1980.

The cement producer, Holderbank, rose SFr125 to SFr6,550 after results and a forecast which were similarly pleasing

to the market.

STOCEHOLM went on a downtrend, the Affärsvärlden general index closing 9.7 lower at 1262.9 after seven consecutive days on the ungrade. In that mood, it decided that the Asea Brown Boveri figures which Zurich fiked were way below expectations in their Swedish form, and Asea shares full SK-18 in SK-28. feil SKr18 to SKr75.

Meanwhile, Astra, the pharmaceutical company, again had the largest turnover of the

session, gaining SKr2 to SKr590 on the success of its ulcer drug Losec.

AMSTERDAM firmed in dull trading. The CBS Tendency index added 0.7 to 120.00. Ver-kade, the chocolate and biscuit manufacturer, remained suspended as United Biscuits of the UK raised its hid for the company from F1 400 to F1 447 in order to win over a group of dissenting shareholders. Mr Ian Blackford of UBS Phillips and Drew said that the sweet-ened bid was a rare victory for minority shareholders, and an encouraging sign for the Dutch market in its attempts to become more liberalised.

Insurance stocks remained in favour, with Aegon adding F1 2.20 to F1 124.70 and NatNed due to report first quarter results today, up 20 cents at Fi 75.60. Bols, the distiller, built on Monday's gains to close Fi 2.50 higher at Fi 136 while Grolsch, the brewer, rose Fi 3

to Fi 145.

MADRID closed the continuous trading session with slight gains, though worries about the strength of the pesets kept a lid on the market. The general index ended 0.80 higher at

## Wall St rally fails to lift markets

MARKETS IN PERSPECTIVE								
	**	chango in le	% sharps sharing ?	% char				
	T Week	4 Weeks	1 Year	Start of 1980	Start of 1900	200 C		
Austria	-0.65	-5.60	+74.76	+31.90	+26,38	+32		
Belgium	-1.49	+ 1.08	-4.38	-6.46	-8.16	-3.		
Denmark	+2.12	+4.48	+23.16	+2.65	+0.70	+5.		
Finland	-1.26	+5.22	-13.58	+0.27	-1.85	+2		
France	+0.62	+2.04	+19.28	+3.81	+1.15	+6.		
W. Germany	-1.54	+0.60	+33.75	+3.35	-0.82	+3		
Ireland	+0.35	-0.49	+ 10.71	-3.04	-5.01	-0.		
italy	+2.09	+6.50	+20.49	+4.76	+2.65	+7.		
Netherlands	+0.75	+3.02	+2.88	-4.02	-7.53	-3.		
Norway	+0.38	+8.77	+20.46	+17.79	+ 14.58	+20.		
Spain	-1.31	+2.65	-10.57	-7.75	-7.82	-3.		
Sweden	+3.31	+10.85	+ 18.76	+7.93	+4.67	+9.		
Switzerland	+0.79	+8.25	+ 18.63	-0.73	+2.52	+7		
JK	+0.15	+7.26	+3.48	-6.74	-8.74	-2		
EUROPE	+0.10	+ 4.55	+11.51	-1.73	-3.15	+1.		
Australia	+0.46	+2.20	-1.44	-8.81	-15.36	-11.		
Hong Kong	+4,36	+2.57	+ 9.60	+7.92	+3.26	+83		
Japan	+1.54	+9.24	-7.94	-16.75	-23.70	-20.		
Malaysia	+3.84	+ 12.04	+34.03	+2.24	-2.41	+2		
New Zealand	-1.54	+3.59	-2.16	-9.90	-16.20	-12		
Singapore	+ 1.31	+11.47	+26.04	+ 13.48	+11.39	+ 16.		
Canada	-0.24	+5.38	-2.81	-9.42	-15.44	-11.		
USA	+0.13	+7.75	+ 10.20	+0.28	-4.34	+0.		
Mexico	+5.32	+30.40	+174,92	+71.66	+56.68	+63.		
South Africa	-1.31	÷4.97	+37.85	+7.63	-8.57	4.		
WORLD INDEX	+0.85	+7.30	+2.86	-7.29	-12.39	-8.		

### By Autonia Sharpe

N a week which saw Wall Street reach record highs and Tokyo make a solid edvance on greatly improved advance of greatly improved turnover, the overall perfor-mance of world equity markets was generally muted. The FT-Actuaries World index rose only 0.65 per cent, perhaps because most of Europe was closed on Thursday for Ascen-

sion Day. Hong Kong and Malaysia provided the best individual provided the best individual results over the last week. In Hong Kong, share prices rose strongly in anticipation that the US would renew China's preferential trading status for another 12 months. But some analysts feel that the best might now be over.
Mr David Bates at First

Pacific Securities says Hong Kong has seen a correction from an oversold position. Investors are now likely to defect to other markets in the region, for example Thailand where a decision by the Gov-ernment to ease foreign exchange controls has sent before it can make further sig-nificant gains, says Mr Bates. Malaysia's sprint was mainly stocks, on speculation that ara-ble land in the Kelang valley would be redeveloped as indus-trial sites. Firmer rubber and paim oil prices and news of a reduction in the stockpile of paim oil also boosted these

commodity-based stocks. In Europe, West Germany was depressed by the cost of German unity and a downgrad-German unity and a downgrad-ing of earnings projections for Slemens. "German equities have still to face up to the full cost of fiscal reunification and the prospect of bond yields heading over 9 per cent," writes Ms Lisa Houting of S.G. Warburg Securities. Sw by contrast, was buoyed by a cut in the discount rate and more good news for the mar-ket's favourities, Astra and

UBS Phillips & Drew spot-lights Switzerland as a market ready to run again after a week of consolidation, on expectations of easing interest rates figure in May.



DM 300,000,000 Floating Rate Notes 1995

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

iational and Legional Markets _		TU	ENDAY MA	Y 29 1960			MONO	MY MAY 28	1960	DOLLAR IND		EX
Tgures in parentheses how number of stocks ser grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Starting Index	Local Currency Index	1990 High	1900 Low	Year ago (appro
ustralia (81)	134.79	+0.4	117.89	116.95	+0.6	5.94	134.28	117,80	118.19	158.31	125.85	131.8
ustria (19)	245.11	+ 1.6	214.40	212.85	+0.9	1.27	241,33	211.71	210.95	285.63	193,15	116.6
Selgium (61)	150.78	+1.3	131.88	127.91	+0.7	4.51	148.87	130.60	127.02	160.02	132.11	126.9
anada (119)	135.95	+0.6	118.91	116.31	+0.8	3.52	134.57	118.32	115.63	153.51	130.37	136.1
enmark (33)	257.04	+0.6	224.82	222,34	-0.1	1.29	255,63	224.26	222.51	280.82	236.69	172
Inland (26)	137.78	+0.5	120.51	113.45	+0.0	241	137.12	120.29	113,40	152.29	129.50	143
rance (125)	167.13	+1.0	146.19	147.87	+0.5	2.78	165.40	145.11	146.98	168.86	141.69	115.7
Vest Germany (93)	131.27	+21	114.82	114.10	+1.5	1.98	128.60	112.82	112.45	137.71	122.05	82,
long Kong (48)	126.44	-0.3	110.59	126.31	-0.3	4.92	126.77	111.21	126,67	126.90	112.24	118.
reland (17)	183.66	+1.6	160.64	161.24	+1.0	2.72	180.73	158,55	159.66	198.57	172.72	137.
taly (96)	106.67	+0.7	93.31	97.87	+0.2	2.43	105.89	92.90	97.67	106.67	91.85	76.
lapan (454)	154.92	-1.9	135.50	147.77	-1.1	0.58	157.88	138.49	149.38	197.25	124.40	177.
Aalaysia (35)	232.59	-0.7	203.44	241.90	-0.6	2.23	234.28	205.51	243.38	245.32	204.15	179
Aexico (13)	531.19	+0.0	484.62	1644.47	+0.1	0.32	531.05	465.88	1643.17	531,19	324.53	224.
letherland (43)	140.82	+1.0	123.18	121.03	+0.5	4.66	139.46	122.34	120.46	145.66	130.43	114
HOUNT HOLD 1707	63.90	+0.9	55.89	59.02	+0.7	7.45	63.31	55.54	58.62	75.36	59.57	64.
lew Zealand (17)	241.84	+0.8	211.53	211.31	+0.3	1.50	239.85	210.50	210.72	245.90	202,34	177.
lorway (23)	206.98	+0.1	181.04	178.27	+0.1	1.91	206.87	181.48	176.06	207.28	179,70	158
ingapore (25)	195.48	+3.8	170.98	165.30	+1.0	3.60	188.32	165.21	163.67	251.39	173.80	130.
outh Africa (80)			139.26	125.32	+03	4.24	157.54	138.21	124.96	165.19	132.84	144
pain (42)	159.21	+1.1			-0.7	2.14	210.67	184.82	190.01	210.67	173.89	158.
weden (35)	210.25	-0.2	183.90	188,62 90,95	+1.9	2.27	101,07	88.57	89.29	104.09	88.75	450.
witzerland (66)	104.09	+3.0	91.04		+12	4.86	155.12	136.08	136.08			137.
hited Kingdom (305)	157.44	+ 1.5	137.71	137.71						164.31	139.87	
ISA (537)	145.76	+ 1.6	127.49	145.76	+1.6	3.33	143,42	125.82	143.42	145.76	130.61	130.
urope (964)	146.84	+ 1.5	128.26	127.32	+1.0	3.55	144.52	126.79	126.12	146.66	135.57	113.
lordic (117)	203.95	+0.2	178.3 <del>9</del>	172.52	-0.3	1.74	203.45	178.48	173.07	203.95	185.01	150.
acific Pasin (660)	163.12	-1.7	133.93	145.65	1.0	0.87	155.82	136.70	147.10	192.75	124.63	173,
uro – iific (1644)	150.89	-0.5	131_98	138.68	-0.2	1.93	151.64	133.03	139.01	174.18	130.35	149.
UIU - I WIIIU ( 1977)	145.07	+1.6	126.89	143.80	+ 1.6	3.34	142.81	125.28	141.58	145.78	131.02	130.
lorth America (656)	138.33	+1.4	121.00	120.58	+0.8	2.74	136.36	119.63	119.61	139.50	124.81	97.
urope Ex. UK (679)				118,19	+0.2	5.15	130,81	114.76	117.90	139.32	122.53	122
acific Ex. Japan (206)	130.97	+0.1	114.58		<b>~0.2</b>	1.99	151.65	133.04	138.85	173,77		148
forld Ex. US (1836)	151.04	-0.4	132.11	138.58							131.30	
Vorld Ex. UK (2068)	147.12	+0.2	128.68	141.19	+0.3	2.19	145.90	128.87	140.72	162,00	130.80	141.
Vorid Ex. So. Al. (2313)	147.73	+0.3	129.22	140.64	+0.4	2.44	147.36	129.28	140.06	161.84	131.95	141.
Vorid Ex. Japan (1919)	145.92	+1.5	127.63	137.44	+1.3	3.49	143.76	126.12	135.72	145.92	134.82	123.
he World Index (2373)	148.02	+0.3	129.47	140,81	+0.4	2.45	147.61	129.50	140.23	162.05	132,25	141.

### WESTDEUTSCHE LANDESBANK GIROZENTRALE

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ANK BRUSSEL LAMBI	ERT N.V. BANQUE				CO
		(DEUTSCI	HLAND)	OHG	
					-

**BANQUE PARIBAS** CAPITAL MARKETS GMBH

BAYERISCHE LANDESBANK COMMERZBANK AKTIENGESELLSCHAFT DEUTSCHE GIROZENTRALE DRESDNER BANK ! -Deutsche Kommunalbank-AKTIENGESELLSCHAFT

DEUTSCHE SIEDLUNGS- UND LANDESRENTENBANK INDUSTRIEBANK YON JAPAN LANDESBANK RHEINLAND-PFALZ (DEUTSCHLAND) -GIROZENTRALE-AKTIENGESELLSCHAFT

LANDESBANK SCHLESWIG-HOLSTEIN GIROZENTRALE

MORGAN STANLEY GMBH

HESSISCHE LANDESBANK

-GIROZENTRALE-

MERRILL LYNCH BANK AG

NORDDEUTSCHE LANDESBANK

GIROZENTRALE

NORINCHUKIN INTERNATIONAL

J.P. MORGAN GMBH

CSFB EFFECTENBANK

AKTIENGESELLSCHAFT

DSL BANK

SCHWEIZERISCHE BANKGESELLSCHAFT (DEUTSCHLAND) AG

SUDWESTDEUTSCHE LANDESBANK GIROZENTRALE

